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DEVELOPMENT RESEARCH DIGEST

Volume II - Number 4

April 1964

A journal of
selected excerpts, summaries and
reprints of current materials on
economic and social development

Prepared by the NATIONAL PLANNING ASSOCIATION
Frances M. Geiger, DIGEST Editor

for

AGENCY FOR INTERNATIONAL DEVELOPMENT
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DEVELOPMENT RESEARCH DIGEST

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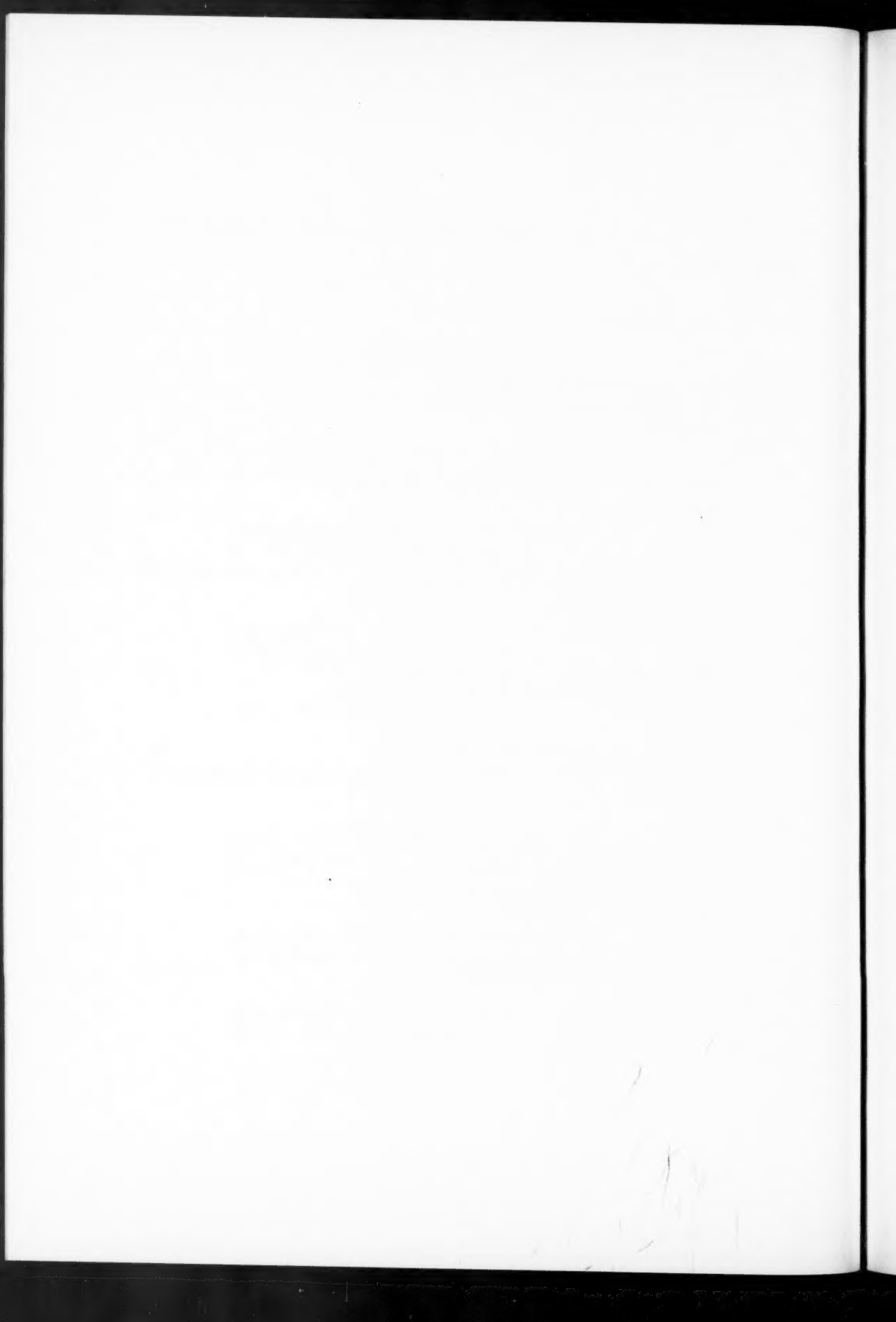
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IMPROVING MANAGEMENT IN DEVELOPING COUNTRIES

A crucial aspect of the development process is the establishment and operation of complex productive enterprises in both the public and the private sectors of developing economies. Success in these efforts requires management skills and experience that are scarce in less developed countries. Hence, it is important to improve understanding of management needs and problems, to explore practicable ways by which they may be overcome, and to expand the facilities for the training of managers available to the people of the less developed countries.

A significant step toward these ends was taken at the 13th International Management Congress of the Comité International de l'Organisation Scientifique (CIOS) held in New York City on September 16-20, 1963. CIOS is a nonpolitical, nonprofit international federation of the national management bodies and organizations in over 40 countries in all parts of the world. With headquarters in Geneva, Switzerland, CIOS holds an international congress of its affiliated organizations every three years. The host for the 1963 Congress was the Council for International Progress in Management, representing the leading U.S. management associations and organizations. The theme of the 1963 Congress was "Human Progress Through Better Management." Attended by nearly 4,000 managers of private and public enterprises, government officials, university professors and management specialists from 83 countries, the five-day conference devoted substantial attention to management problems in the less developed countries.

A 900-page volume of proceedings has been published containing over 170 papers presented at the Congress by leading management experts. These papers deal with world management trends and problems, top management policies, the development of managers, management policies of international enterprises, management policies and methods in public enterprises, human relations problems in management, and other subjects in the field of management development. The CIOS XIII International Management Congress Proceedings may be ordered from the Council for International Progress in Management (USA), Inc., 247 Park Avenue, New York, New York 10017; US\$27.50 (20% discount to libraries).

Excerpts from several of the papers of particular importance for the improvement of management in less developed countries are presented in this section.

THE IMPORTANCE OF MANAGEMENT
IN DEVELOPMENT

Courtney C. Brown

[From "The Conceptual and Institutional Foundations of Business," in CIOS XIII International Management Congress Proceedings: Human Progress Through Better Management; © CIOS, 1963; New York, N.Y., Council for International Progress in Management (USA), Inc., 1963, pp. 274-275.]

These are
excerpts
from the
paper.

The art of successful management is a subject all of us understand imperfectly. Even the most effective members of this impressive gathering of managers from all parts of the world must, in their moments of quiet introspection, confess to its mysteries. Yet, if the world is to succeed in converting the unbelievably rich accumulations of technological progress into satisfactions and comforts for an expanding population, the art of management must provide the catalyst.

Much has been written about the ways to achieve economic development. Money alone, it has been correctly stated, is not enough. Big physical projects combined with centralized planning will not of themselves succeed. The application of technology to agriculture and the expansion of education at all levels, both essential to balanced development, would simply result in frustration if unaccompanied by other requisites of community abundance. Less frequently stressed is another element that is utterly essential, namely, the concomitant development of organizations through which men coordinate their efforts to achieve common purposes.

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There are basically three kinds of organizations through which the world's work is done: the family, the state and the voluntarily associated group. The last is usually assembled today within the framework of a private business corporation. It would take us too far afield to elaborate the relative merits and limitations of each of the three, or to examine the extent to which they may be intermingled through joint ventures or controls. The ultimate source of good management of any one of them may lie not so much in knowledge of how to handle machines and financial capital but rather in a knowledge of people, the modes of their behavior, the concepts that motivate them, and the reflection of those concepts in the characteristics of the institutions they have evolved. To paraphrase one of my colleagues at Columbia University, the tragic irony of the lesser developed countries has been that they often believe that the secret of the relative affluence of the more developed countries lies in their machinery and money, whereas in fact it is in their social institutions that provide management with its opportunities.

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MANAGEMENT DEVELOPMENT IN THE DEVELOPING ECONOMY

Charat Ram

[From CIOS XIII International Management Congress
Proceedings: Human Progress Through Better Management;
© CIOS, 1963; New York, N.Y., Council for International
Progress in Management (USA), Inc., 1963, pp. 306-309.]

These are
excerpts
from the
paper.

That I rise to speak on some aspects of management in the developing countries, is indicative of the fact that there are certain facets of the problem which are peculiar to these countries. Actually it would be strange if it were otherwise. Management development is the development of human beings, and as such, it is as much a consequence of the prevalent cultural, sociological and economic forces, as of the direct impact of formal education and training.

There are several characteristics which are peculiar to the nature of a developing country, and which have a bearing on the problem of management development. Some of these identifiable characteristics are:

1. A developing country in Rostovian terms, is a mixture of the traditional society, and a society on the door-step of take-off. Agriculture continues to be the mainstay of the economy, and flowing from the agriculture systems, there is a hierarchical social structure with a relatively narrow scope for vertical mobility. Family connections play a role in the social organisation. The value system of these traditional societies is generally geared to what might be called a long run fatalism. Alongside this traditional society,

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there exists a class of people who have begun to acquire the attitudes and values of an industrial culture, and who are likely to be the spearheads of the take-off.

Among these people, the idea spreads that economic progress is not only possible, but that it is a necessary condition for some other purposes judged to be good, be it national dignity, private profit, general welfare, or a better life for one's children. Education for some at least broadens and changes ideas to suit the needs of modern economic activity. New types of enterprising men come forward willing to mobilise savings, and to take risks in pursuit of profit, and investment increases. As a consequence of these characteristics of a developing economy, two things happen: firstly, in the traditional part of the society, the absence of opportunity for vertical and lateral mobility keeps the level of motivation for self-development rather low; secondly, as the conditions of take-off are created, and rapidly change the economic pattern of the traditional society, the entrepreneur and the manager come to acquire increasing social and financial status, thus providing a channel for upward movement for the ambitious, as well as motivating the individual to greater efforts towards the development of his managerial personality.

2. The government in a developing country comes to play a key role in the economic, political and even cultural life of the nation. Assuming that the government's role is regulatory and not prohibitive of private enterprise, two kinds of developments take place in the industrial sector. A handful of larger companies expand at a rapid pace, ploughing back their profits from year to year into a large variety of industrial fields. Secondly, a whole host of small-scale industries grow up for the production of consumer goods, or as ancillary industry for the larger units. Both these phenomena multiply the problem of management development at an unprecedented rate.

3. With the expansion of industry, managers, engineers, etc., become scarce, and gaps in the education system begin to be noticed. However, for most other kinds of personnel, the employer continues to enjoy a buyer's market. Also, the industrialist is usually in the seller's market while selling his goods in the developing economies, and therefore lacks much incentive for reducing costs through better management. These characteristics create an attitude on the part of the employers in which low employee turn-over is considered desirable but not very important. This attitude has a dampening effect, sometimes rather severely, on efforts at management development.

4. The developing countries at the take-off stage, generally develop active, often militant, labour unions. Frequently the thinking of the union leaders is tinged with reaction against a past in which labour was often exploited. Furthermore, in many of the democratic

developing countries the government actively regulates management-union relations and labour has a substantial voice in the central legislative body of the country. All these characteristics not only condition management development, they also put the problem in a wider perspective; that is to say, the problem of management development is only one among many problems facing a developing economy, and perhaps certain problems such as that of stepping up the rate of savings within the economy, slowing the growth of population, overhaul of the education system, are equally, sometimes more, important.

Having given a general description of some special characteristics of management development in a developing country, my next task would be to give you some idea of the nature of the problem. The qualitative and quantitative problems of management development are natural and built into the dynamics of sudden economic growth. What is perhaps unnatural is the lack of adequate attention to the problem in the face of a growing dearth of top flight executives. Generally I fear we talk of this problem as one talks of the weather; a great irritant, but nothing one can really do about it. Men in positions of responsibility and authority obviously need to analyze seriously the causes of our indifference in this matter. What are the barriers that we need to overcome? Are they attitudinal or merely procedural, or a mixture of both? I have had occasion to discuss these questions with colleagues from within and outside India, and have come to the conclusion that the barriers to management development are both attitudinal and procedural.

Attitudinal Barriers to Management Development

Many of the attitudinal barriers go back to some of the sociological and economic characteristics of a developing society. Management development is an idea. Like all ideas, it must first be born in the minds of men. It is there that the first barriers must be overcome. In my view, there are two types of attitudinal barriers to the idea of management development: the traditional barriers and secondly, what Thomas Jefferson called, "barrier of the vested interest."

Traditional barriers are rooted in our past. Attitudes run somewhat on these lines: our grandfather worked successfully, in a particular way, and there is no reason why we should not; or, you cannot train a manager, he is just born that way; or, the idea of management development started outside our country and, as such, it is per se suspect. I shall briefly put my thinking on each of these points before you.

First, this matter of tradition. To believe that what suited our grandfather will necessarily serve our purpose, to say the least, is a static approach to our problems. Organisations that our ancestors ran were small entrepreneurial enterprises. Normally they trained their

sons or nephews or other relatives, and that in essence was management development or training for succession. Such management development goes on even now in a very large number of enterprises. But this is obviously not enough. The number of top executives this system produces, apart from the qualitative aspects, is a bare fraction of our requirements. Such has been the rate of expansion of industry in India, that it has just about become impossible to meet the demands for top managers out of the restricted arena of the family circle. The system of training only one's sons can no longer satisfy the growing demands of industry in developing countries.

Then there is the popular belief that managers cannot be trained; they have to be born. Now, there is something which should have been clear to us a long time ago, and it is this: no one is born with executive skills, nor are they acquired simply by passage of time; rather they must be learned. And, most people, however capable, need help and direction in learning to become good executives. Even the most striking case of a "born manager" is not really so. Somewhere along the line, he has been guided by somebody, trained by somebody. Is it not safer, then, to make this training more formal and organized, so that a greater number of men can benefit from it?

The third traditional argument against management training concerns its foreign origin. The idea of management training, the argument runs, developed in countries where the conditions are very different from our own, and as such it is not applicable to our environment. Now, this is a strange reaction from a people who have shown a keen desire to use foreign know-how in many other spheres of its national life. It happens to be my view that we can learn as much from the developed nations in the area of management practice, as we can in the more tangible fields of engineering and technology. The manager's task, whatever his nationality, remains unchanged, and I see no reason why management techniques which have proved successful in other countries cannot be applied in the developing countries.

Vested Interest Barriers to Management Development

Having discussed the traditional barriers to management training, may I now turn to the more sensitive topic of barriers erected by vested interests. It has been my observation, that the idea of organised management development or training for succession, arouses certain uncalled-for fears in the minds of some of the older executives. It often leads them to imagine that programmes of management development are really intended to get rid of them. They then feel their own interests threatened and seek to prevent the success of such a programme.

In a large measure, these fears are generated by a failure of top management to explain the nature and purpose of management development

to their senior executives. If the senior executives were convinced that the development of their subordinates is undertaken mainly to strengthen their proficiency, there should be much less resistance on their part towards the idea of management development.

A significant amount of resistance also comes from persons who own substantial investments in industry. A very large portion of industry in the developing countries is managed by families who financially control it, and not unnaturally they seek their own perpetuation. To accomplish this, they sometimes tend to debar from higher management persons whose origins lie outside the narrow circles of the family. By these means, they believe, they have enhanced their own power and assured their future. Now if I may say so, this is surely a distorted analysis of the present and a mistaken view of the future. Firstly, where does an investor's real interest lie: in the power that comes from running a business, or in a good return on investment? Inasmuch as a return on investment is related to good management, the investor is only hurting himself in the long run by keeping good people out of senior management positions. Secondly, a time comes in the industrial history of a nation when the function of management and ownership are separated by the sheer momentum of the forces of economic growth. There is a certain historic inevitability about this that can easily be discovered in the industrial societies of the developed countries. This separation of ownership from management is bound to come to the developing countries; indeed, one can already see its faint beginnings in many large companies. In opposing this trend, we can only succeed in postponing it for a few years, and unnecessarily slowing the pace of national economic growth.

Need for Management Training Programmes

Many managements, even though fully aware of the problem, do not quite clearly see their way of going about it. The organisation is not clearly chalked out, and it is not quite clear what a person should be taught if he is to become a top manager. If the content of training has been decided upon, it is still not clear who is to conduct it. Many of our executives are vaguely aware of the deficiencies in their managerial personality and the need for going through some further training to make up these deficiencies. Others are faced with apparently insoluble problems and yet solutions could perhaps more readily be found if they could just get together and discuss them with other executives. However, the facilities for such getting together or training courses are very limited, and I have no doubt that this fact is one of the major bottlenecks in the spread of new knowledge in the developing countries.

Although a number of companies provide some kind of an orientation for their new entrants, the number of those who have carefully figured out their needs and have evolved training programmes geared to these

needs, could virtually be counted on one's finger tips. The basis of such in-company training for new entrants is usually job rotation with careful guidance and counselling from a training staff; these companies usually have shorter training programmes for their executives and supervisors. While these companies may have solved their own management development problems, their number is so small that their contribution to the solution of the problem at the national level is only marginal. It is quite obvious that many more companies will have to take greater interest in in-company training schemes.

The role of management associations and productivity councils has been certainly impressive. In India, there exist an All India Management Association with 22 federated regional associations and a National Productivity Council operating 45 local productivity councils. The efforts of these bodies consist in organising short-term courses for the managerial and supervisory personnel. They have whenever possible, drawn extensively upon foreign experts for the transmission of the latest knowledge and skills. In addition to the All India Management Association and the National Productivity Council, schools for the teaching of management have been opened at a number of universities.

With all the effort going on in this direction, it is to be noted that business education in India suffers from two drawbacks. Firstly, there is an acute scarcity of faculty who are themselves familiar with the concepts of scientific management and are also able to communicate them to a student body so that they become a part of their knowledge and managerial behavior. The faculty also usually suffer from a lack of good industrial experience. Secondly, the students who have gone through these courses do not always find occasion to utilize their training. Often they come back to organisations that are not ready to assimilate their new knowledge. While some gap between idea and practice always exists, some conscious effort will need to be made by the older managers to enable the younger generation to utilize what they learn in the management schools. Over the long run, however, these institutions are bound to be effective, and I am sure we are going to need many more like them.

The main point is, that some means must be found of exposing our managers to the management philosophy and methods of the more advanced countries, and it is to be appreciated that management development in the developing countries is not an item of luxury; it is rather a dire necessity, on the success of which will depend their very breakthrough into self-sustained growth.

Motivating Managers to Improve

It is to be recognized, that in the final analysis, development is individualistic. The individual will develop himself optimally only in terms of what he sees meaningful and valuable. If he becomes an

active party to decisions that are made about his development, he is likely to make the most of the opportunities that are presented. If, however, he is simply a passive agent being rotated or sent to school, or promoted, or otherwise manipulated, he is less likely to be motivated to develop himself.

Developing executive talent is not a manufacturing process, and one cannot produce managers merely by establishing a formal mechanism and hiring staff to run it. As Douglas McGregor has pointed out, the process of management development is somewhat analogous to that of agriculture. It is concerned with growing talent rather than manufacturing it. The fundamental idea behind such an approach is that the individual will grow into what he is capable of becoming, provided we can create proper conditions for growth. Even the best of mechanisms will come to naught in organisations where fear is the main instrument of organisational policy. In contrast, individuals will grow without any formal gadgetry if they are allowed to carry responsibility and use their own initiative to develop themselves.

The first task of top management continues to be that of providing a leadership that is permissive of experimentation and an organisational climate in which the good of the company is closely tied with the development of its human resources. We need to take stock of the situation prevailing in our companies and the developing countries in general. We shall have to consider this problem as important as we today consider the problems of finance, capital equipment, etc. There will have to be a conscious decision on our part as to what we propose to do in this matter. Managers are not produced automatically, and the leaders of industry and government in the developing countries will need to approach this problem of managerial resources with the same integrity and seriousness with which they conduct other responsibilities. Our progress as nations can be no swifter than our progress in education; our hopes for economic growth, and the demands of citizenship itself, in an era of unprecedented change and challenge, will require the maximum development of the individual.

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MANAGEMENT PROBLEMS IN THE PUBLIC SECTOR

J. M. Shrinagesh

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Proceedings: Human Progress Through Better Management;
© CIOS, 1963; New York, N.Y., Council for International
Progress in Management (USA), Inc., 1963, pp. 539-542.]

These are
excerpts
from the
paper.

This paper deals with management problems of public enterprise in developing countries, with special reference to India, the country to which I have the honour to belong.

India may be said to be one of the countries which has passed the early stages of development. In its effort to mobilize all avenues of development, and as a means of utilizing all available resources, India has attempted to take advantage of the facilities of the limited market economy, as well as the beneficent aspects of bureaucracy (in the wider sense). It has, therefore, adopted a pragmatic approach. To attain its object, which in this respect is basically economic, it has attempted to define the role of public enterprise (or the "public sector"), in an Industrial Policy Resolution. In the first instance, this Resolution gave a large and diffuse share of development to the public sector. But, after some experience of the large part played by the private sector, and the problems that faced the public sector, this Industrial Policy Resolution was modified to make the role of the public sector more precise. Subsequent experience has caused further relaxations to this Resolution from time to time, to meet situations as they arose, to enable the optimum utilization of limited resources. For example, in spite

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Chairman of Hindustan Steel, Ltd., New Delhi.

of the declaration that oil exploration, production and processing will in future be undertaken in the public sector, India has recently entered into an agreement with an American company jointly to set up a refinery in South India. It has also agreed to embark, jointly with private enterprise, on oil exploration in certain areas. Also, though it was originally contemplated that further expansion of steel production should be limited to the public sector, the two large private companies have recently doubled their capacities, and a private firm may be approached to erect and operate, for some time, what will be India's largest steel plant.

Problems of Public Enterprises

There is value in such a pragmatic approach, because developing countries cannot depend wholly on their market economies, which are not fully grown, and they have to rely in part on their bureaucracies. They have thus to decide the extent to which they should utilise their bureaucracies, keeping in view two conflicting trends:

- (1) Any extension of the powers of the bureaucracy may impair the economy, and encourage unproductive employment of labour.
- (2) In certain countries, the vested interest of the educated class in increased employment will exert pressure to expand the bureaucracy.

For illustration, let us consider "motivation" and "incentive." It would, at first sight, appear that an employee in a public undertaking should be better motivated than an employee in a private undertaking, as he is working more apparently for the common good. But, in fact, in a large number of public enterprises he is less so motivated; due to greater security and less incentive. The nature of bureaucratic systems tends to make the employees more secure, at the expense of rapid promotion or greater incentives. In developing countries, such influence of the bureaucracy will tend to be greater than in countries that are more advanced (partly because of the undifferentiated and diffuse character of their political and social structures, and partly because of the vagueness of functional boundaries).

There is a similar problem in regard to orientation to development. A number of developing countries have emerged from dependencies or colonies, where the organisation of government and administration has been largely oriented to maintaining the status quo, rather than geared to economic development. Experience of administration in such countries is largely confined to officers in the services or in the bureaucracy. However intensively the country may train its future managers, there will inevitably be a shortage of administrative and managerial abilities and experience, for some appreciable time. In such circumstances,

the temptation is to introduce known and tried bureaucratic systems and procedures into business, to take the place of managerial and business experience, leading inevitably to delays, waste of time, and waste of valuable assets.

This trend has become particularly noticeable in regard to financial and accounting systems, to personnel management, and to patterns of management control. For example, it is imperative for public enterprises in developing countries that the financial and accounting systems should be geared to development, or be part of the management accounting system. But, the past practice has been to use these systems as a measure of control. Where experience is lacking, therefore, the temptation has been to continue the use of these financial and accounting systems for control purposes, even to the extent of permitting a Finance Director to hold up a Board's decision or to approach government direct. Fortunately in India, we have a few public enterprises which have recognised the need to stop the spread of such bureaucratic practices. Need I add that these enterprises have been financially eminently successful?

In the personnel field, bureaucratic systems tend to make recruiting, promotion and disciplinary procedures more lengthy and dilatory, in the effort to be seemingly more just. In the industrial relations field, bureaucratic methods make procedures very wooden. In regard to the patterns of management control, the spread of bureaucratic systems seems to tie up a number of public enterprises in the intricacies of government reports.

Indian experience has emphasised the creeping danger from the spread of bureaucracy and brought out the necessity for developing countries to counteract its spread. Lately, measures have been introduced to curb this trend. For example, the Planning Commission in India has set up a team to evolve systems suitable for conditions in India for programming and reporting on performance, in different kinds of public enterprises; and to see whether such systems as Critical Path Analysis, PERT, Milestones, Line of Balance, etc., should not be widely introduced into public enterprises to save performance time and ensure completion of projects according to schedule.

Considerations other than economic sometimes pervade the planning of public enterprises in developing areas, with such considerations as social justice (often vital), desire to give special prominence to labour welfare, development of backward regions, even sometimes political considerations. These factors make a public undertaking less viable and often cause delays in the execution of the project. Indian experience has strengthened the realisation that economic considerations should preponderate in the planning and management of public enterprises, if these undertakings are to contribute to savings and play their part in the further development of the country.

In many developing countries, political advancement has outstripped economic development. In such cases, in the drive for development, ideas which have proved successful in the political sphere are apt to be applied to the economic or industrial field, without adaptation. For example, in the political field, whether in a developing or an advanced country, power needs to be circumscribed by checks and balances. In the industrial field, emphasis on checks and balances will hamper the proper growth of an enterprise, without necessarily adding to accountability, or permitting it to fulfill its responsibilities to Parliament. Autonomy and the independence to pursue specified goals, without intervention, and with the right to make mistakes, are vital to a producing unit. Parliament should hold the public enterprise strictly accountable for such specified goals, and voluntarily relax some of the other controls, which it would ordinarily exercise in the absence of measurable goals.

Shortage of Planning and Management Experience

Apart from the dangers of excessive bureaucratization with which they are faced, developing countries find themselves deficient in planning and management experience and are learning that such experience is difficult to import from other countries. Even experts borrowed from developed countries have not experience in the difficulties which they are liable to face in a developing country. Such experts soon come to realize, for example, that spares have to be ordered months in advance; that the spares or consumable stores cannot be replenished "off the shelf"; that maintenance techniques have not been properly understood or followed, and maintenance of valuable machinery has not been thoroughly undertaken; that there is an unbelievable shortage of skilled and semi-skilled personnel.

Such difficulties would be considered formidable in any country, and would require very thorough planning. But they assume greater importance in a developing country where planning is sometimes undertaken without adequate regard to the purpose and balance of investment, and to its disposition in time and place. There is, as a result, a great deal of waste of capital resources which are already sufficiently scarce.

Such planning difficulties are well exemplified in the field of labour. For example, the shortage of skilled and semi-skilled labour can only partly be made good by adequate advance training programmes. But in developing countries, where the labour population is wedded to land and is unaccustomed to factory and urban conditions, labour has also to be trained to normal regular attendance and steady application to the task. Every Asian developing country has to contend with a large-scale exodus of labour, during the harvest season, back to the land; and most of them have tried out schemes and incentive systems to

prevent casual absenteeism, particularly after pay-day, of labour not accustomed to urban and factory conditions.

The problem of labour absenteeism becomes still more acute in a public enterprise, where considerations other than economic (for example, the development of a backward area) have caused plants to be located in areas completely foreign to factory and town conditions, resulting in months of delay in labour training and acclimatisation.

Accountability, Decision Making and Responsibility

Many papers have been written on the main difference between private and public undertakings, viz., the latter's accountability to Parliament with its attendant problems; e.g., the dulling effect of exposure to public scrutiny, the deadening influence of Parliamentary postmortems, the reduction in initiative from interference in day-to-day working, the delays arising from an over-emphasis on standard systems and procedures, etc. These problems are apt to occur more frequently and be somewhat more confused in a developing country, which, according to Almond, is characterized by the lack of clear definition in its political functional boundaries (both in the input and output functions). In an effort to take advantage of the benefits of Parliament's supervision, and, at the same time, reduce problems arising therefrom, India has recently set up a Special Committee of Parliament to examine the workings of public undertakings once a year, and relieve the undertakings of too frequent incursions into their day-to-day working. At the same time, the undertakings themselves are to be given greater autonomy, as has already been done in a number of other countries. It is hoped that the Special Committee will, in due course, develop in Parliament a fund of knowledge of public enterprise, such as the previous Indian Estimates Committee was beginning to accumulate.

Though care has to be taken to avoid the excessive use of bureaucratic systems; yet it should be recognized that bureaucracies have their own contribution to make, particularly where markets are not mature. In taking advantage of the bureaucracy, it should further be recognized that few of the members of the bureaucracies of emerging nations have been accustomed to high level decision making. At the same time, the governing elite of these countries, which recently gained their independence, have not had the opportunity in the past to accept wide responsibilities, and, being unaccustomed to responsibility, must find it difficult to delegate authority. The bureaucracy has, therefore, to be trained in the type of decision making that is peculiar to business.

Value of Management Training

In this process of development, education and training play a vital role. They increase knowledge and efficiency, they moderate and create conditions for change, and they generate new ideas and a vigorous outlook. Management education and training will play a large part, particularly because of the very great shortage of business executives, managers and administrators of experience.

In India, this shortage was early appreciated, resulting in the spontaneous growth of management associations in the most important towns. These grouped themselves together in the form of regional associations, and later combined into the All-India Management Association, which has recently affiliated with the CIOS and is proud to be represented and to be partaking in this conference. These associations have been largely for management education and advancement for those already in business. The Ford Foundation has assisted this movement considerably. Both Harvard University and the Massachusetts Institute of Technology are establishing institutes of management in India, for graduate and post-graduate management education and research, with assistance from the Ford Foundation, the Indian Government, and a number of important business concerns. MIT has incidentally some considerable experience, in conjunction with the All-India Management Association, of conducting top level seminars in India.

Various large corporations, like Tatas, Burmah Shell, Hindustan Lever, Esso and Caltex, have established their own management schools in India. And the Indian Government has set up an Administrative Staff College, like that at Henley, for similar purposes. The British Institute of Management had also established, for some time, a branch in India. Institutes of technology and universities have also been assisted by different countries in setting up management studies, in different forms, at Delhi, Calcutta, Allahabad, Madras, Kharagpur and other towns.

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DEVELOPING INITIATIVE AND RESPONSIBILITY
THROUGH MANAGEMENT-WORKER RELATIONS

William Foote Whyte and Lawrence K. Williams

[From "Supervisory Leadership: An International Comparison," in CIOS XIII International Management Congress Proceedings: Human Progress Through Better Management; © CIOS, 1963; New York, N.Y., Council for International Progress in Management (USA), Inc., 1963, pp. 481-488.]

These are
excerpts
from the
paper.

During the past two decades, U.S. companies have been turning to the questionnaire survey with increasing frequency in order to assess the state of worker-management relations and to identify the human problems that management is facing. The questionnaire survey is now also used in Western Europe. Up to the present time, this research approach has been used little, if at all, in the newly industrializing countries of the world.

In this paper, we are reporting upon one of the first efforts to use the questionnaire survey in such a newly industrializing country. The study in question is a survey carried out in an electric light and power company in Peru.

We believe that this study has both practical and scientific significance.

On the practical side, it demonstrates that the same behavioral science research methods that have been used in industry in industrial societies can be used in

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the newly developing countries. This means that, in developing their personnel or human relations policies, the managements in such countries need not rely exclusively upon research, experience, and advice originating in the countries having a longer experience with industry. Potentially, management has in its hands an instrument making possible the assessment of its own problems so as to have greater assurance that the policies developed will meet its own needs.

On the scientific side, through such studies we gain the advantages of comparison. We must recognize that the propositions we find in the literature of human relations research are primarily based upon studies carried out in companies in the United States. Are these propositions universally valid? In other words, can we expect them to apply equally well to Egypt, to India, and to Peru so that management people can safely base their human relations policies upon what has been found out in the United States? Or must these propositions be modified so as to take into account the difference in culture from one country to another?

Methodology of the Study

We determined upon a comparative study in the electric light and power industry. Professor Williams had been field director of a survey program carried out over a number of years in a large U.S. electric light and power company, when he was with the Survey Research Center at the University of Michigan. Whyte, therefore, sought to make arrangements with a company in this same field in Peru. Here, he was most fortunate in having the wholehearted collaboration of Robert R. Braun, then acting director IPAE (the Peruvian management association) and now secretary general of CIOS. Dr. Carlos Mariotti, then president of IPAE, also took a sympathetic interest. Without his interest, the study would have been impossible.

With the advice of Williams, who indicated what particular questionnaire items in the U.S. study might be especially interesting for comparative purposes, Whyte drew up a tentative questionnaire. He discussed this on two occasions with the industrial relations director of the Peruvian company and at a later stage he appeared with Braun before a meeting of the board of directors to describe the purposes of the study and to indicate how it could be carried out. The board of directors then chose a committee of three of their members to work with Whyte on the revision of the questionnaire.

It was now arranged for Whyte and Braun to meet with the representatives of the three unions representing the white collar and blue collar workers of the company. At this point, after explaining the purposes of the questionnaire and the procedures to be followed, Whyte made the same pledge to the union leaders that he had made to management. Anonymity would be maintained: no individual worker would be

identified. Only findings of a general nature would be reported to management, and these same findings would be discussed with the unions.

The union leaders then consulted with other members of their executive boards and with the rank and file and came back a week later to discuss the questionnaire further. At the subsequent meeting, they made several suggestions which Whyte was able to incorporate into the questionnaire. Then the union leaders representing the white collar workers and the blue collar workers in the Distribution Division pledged their cooperation in the study. The union representing the power house workers remained skeptical and hesitant about the whole venture. Since the time on Whyte's project was already running short, and since he would have his hands more than full applying the questionnaire to the white collar workers and to the blue collar workers in the Distribution Division, he was quite content to proceed with these groups. We are hopeful that the experience these unions have now had with a questionnaire may encourage the power house workers to cooperate in future studies.

The questionnaire began with a section of personal background information regarding the location of the informant as to department and work section, age, seniority, job classification, and so on, so that we could determine whether, for example, years of experience with the company made a difference in the informant's reactions to the company. There followed sections of questions regarding the immediate supervisor, the work itself, pay and promotions, the work group, the system of information, top management and the general policies of the company, the class of work the informant preferred, and summary questions requesting the informant's overall reactions to the company.

General Conclusions

Our findings give us some confidence that we have been studying intercultural differences. Where we find marked differences with U.S. findings, the Peruvian white collar and blue collar workers fall into the same pattern. How does culture affect expectations and perceptions of the supervisor?

In the first place, we should note a lack of differentiation in the role of the supervisor in Peru as perceived by his subordinates. In any supervisory questionnaire in the United States, we always have to deal with what we call a "halo effect" which means that, if a worker views his supervisor favorably, he is inclined to check favorably all of the items dealing with the supervisor's behavior and his attitude toward him. In spite of this tendency, however, we have found in the United States quite marked differences in the evaluation of the supervisor in comparing the various aspects of his behavior. The differences in Peru are less pronounced. There seems to be more tendency to look

upon the supervisor as a total human being, without thinking about the various aspects of his job performance.

The great urge in Peru is to have an understanding supervisor. This fits with the emphasis on the person and the personalism that has been noted by the various authorities on Latin American culture.

In Peru, the traditional supervisory relationship has been more authoritarian than in the United States, and apparently this approach is more acceptable in Peru than it would be in the United States. Close supervision and pressures for production are both accepted as legitimate in Peru. In contrast, in the United States, the worker tends to think to himself -- if he does not say it to his superior -- "Don't breathe down my neck! Don't push me! Just leave me alone and I will get the work out."

In these two countries, there seem to be quite different expectations regarding upward representation -- that is, telling your boss what your subordinates think. In the United States, one of the signs of being a real man is that the supervisor will tell his own boss what his work group feels, even when it will sound unpleasant to the boss. In other words, he will "stick his neck out" in order to speak up for his men. In Peru, this kind of behavior is not expected, and it might even be considered a bit foolish. Superiors are not accustomed to respond to the initiative of their subordinates. The subordinates seem to learn generally that they can get what they want better if they don't bring unpleasant truths to the attention of their superior. They have learned that it is functional to be agreeable at least on the surface.

Peruvian workers expect to receive little information from their supervisors and seem resigned to this condition. Unlike their U.S. counterparts, they attach little importance to being involved by their supervisor, on a group basis, in the management of the work. This is not to say that the Peruvian passively accepts authority. He hopes to be able to influence his supervisor, but for this he counts on the direct personal relationship rather than on group discussions.

Thus, it is necessary to take culture into account in developing any principles regarding human relations in industry. This does not mean that a given culture always remains the same. Peru and other developing countries are changing rapidly. What a worker expects of his supervisor depends upon the experience he has had in supervisory relationships. As this experience changes, he will learn to change his expectations.

Practical Implications

For practical implications, let us consider first the feedback of the general information to management and to the unions. General

findings as outlined above were presented by Whyte to a meeting of the Board of Directors of the Peruvian company, followed by a meeting of the Division Manager and department heads in the Distribution Division. A discussion session was also held with the leaders of the unions involved in the study.

We can say with some confidence that one of the objectives of such a project was achieved through the feedback sessions. We had demonstrated that it was possible to carry out such research and to report the findings in general terms without causing disturbance to the organization or without violating the confidence placed in the researchers. Whether the company and the union leaders derived practical benefits from the study is not for the researcher to say. Unfortunately, there was only just barely enough time before the end of his stay in Peru for Whyte to conduct one feedback discussion with each group that had been involved in the study. Experience in the United States has indicated that a considerably lengthier feedback process, with management people more directly involved in presenting and interpreting the findings, is highly desirable if management is to gain the full benefits of such a study.

Looking beyond the company, we see certain important practical implications for management development and supervisory leadership in business and other organizations.

Leadership training in industry, as it is beginning to be exercised in the developing countries, naturally tends to be based upon the ideas and the experiences of the United States and of other industrialized countries. The current doctrine, which is supported by a large body of research in the United States, is called participative management. On the basis of our findings for Peru, we have a right to ask whether this approach can simply be adopted in Peru and similar countries without modification.

Our findings clearly show that Peruvian workers will accept the closeness of supervision and the pressure for production from their supervisors that would bring negative reactions in the United States. However, we must not jump to the conclusion that, because this supervisory approach is acceptable, it is necessarily the only approach that can be used or the most desirable approach.

Our judgment of this question should depend upon the objectives we seek. If our objective is only to get the immediate work done as rapidly and as efficiently as possible, then the pressure approach with close supervision seems the most effective one. If, however, we are also concerned with the development of our subordinates so that they learn to display more initiative and accept more responsibility, then we must recognize that we cannot reach these objectives by following the traditional and acceptable pattern.

This does not mean, however, that we can simply transplant the approach that has proven effective in the United States. The supervisor who seeks to do so will neither get the work done nor win the respect of his subordinates.

The supervisor or manager who understands the implications of these findings will recognize that people need training in human relations as well as in the technical aspects of their jobs. No manager would expect an untrained worker to perform immediately up to standard on a job requiring real skill. Similarly, the manager should not expect the worker who has been accustomed to close supervision and pressure for production to respond immediately and favorably to more general supervision and a more participative approach.

The manager who is skillful will recognize not only the prevailing traditional supervisory pattern but will also develop a strategy for moving from this pattern gradually toward one which brings out more initiative and sense of responsibility in his subordinates. For example, he may begin by checking on the performance of his subordinates every hour and issuing very detailed instructions. As time goes on, he may lengthen the period between his inspections and make his instructions gradually more general and less detailed. As he goes along with his inspections and instructions, he should also begin to ask subordinates questions as to how they think the job should be done. As they learn to think about the job and to contribute their own ideas, they grow ready to accept the greater responsibilities given them and to display the initiative that now for the first time they have an opportunity to show.

We think these general conclusions apply not only to industrial organizations. They may well apply to technical assistance efforts in which experts from industrialized countries try to organize and develop programs needed in the developing countries. Such experts, all too often, have one or the other of two oversimplified views of human nature among the people they supervise. They assume that these people are not to be trusted with responsibility or to show any initiative. Therefore, the outside expert provides close supervision and encourages the very dependence and lack of initiative he expects to find. At the other extreme, the expert assumes that the people in the developing country are just like people he has been supervising at home and he supervises them the same way. He is disillusioned to find out that people do not perform as he expects. He reaches the entirely unwarranted conclusion that the people are not ready for responsibility and, in effect, he gives up on them.

The approach we propose avoids either of these extreme and unrealistic positions. It recognizes a real problem in developing a new

approach to supervisory leadership in the developing countries and it points to the possibilities of building this new approach gradually, beginning with an understanding of the existing situation and working toward a future and more desirable state of human relations.

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COMMUNICATING INNOVATION FOR DEVELOPMENT

How are the people of the developing countries exposed to and how do they acquire the new ideas, attitudes and values which underlie the willingness to adopt the changes and innovations required for development? How do they learn about the new techniques and methods necessary for increasing productivity, improving health, and raising living standards? What factors foster and inhibit their acceptance of these changes? What role does the process of communication play in the transfer and acceptance of innovations?

The importance of these questions to the development process is increasingly recognized today, and a growing number of studies are being made in the effort to find answers to them. The first paper in this section, by Professor Ithiel de Sola Pool discusses the vital role which the mass media play in fostering development, and is followed by a short description of a successful program for assisting the establishment of rural newspapers in Liberia. Next, Professor Elihu Katz summarizes the main types of research that have been undertaken into the process by which innovations are communicated and adopted or rejected. A short description is given of the effort being made to communicate widely the results of last year's United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas. The section concludes with a brief account of a new UNESCO publication which makes available comprehensive, up-to-date information on press, radio, television and film facilities throughout the world.

THE ROLE OF COMMUNICATION IN THE DEVELOPMENT PROCESS

Ithiel de Sola Pool

[From "The Role of Communication in the Process of Modernization and Technological Change," in Industrialization and Society, edited by Bert F. Hoselitz and Wilbert E. Moore; Paris, UNESCO-MOUTON, 1963, US\$7.50; pp. 279-293.]

[This paper was presented at the UNESCO Conference on the Social Implications of Industrialization and Technological Change held in Chicago during September 15-22, 1960. The Conference papers and a summary of the substantive findings have been published in this volume edited by Bert F. Hoselitz and Wilbert E. Moore. Other subjects covered by the Conference were the analysis of the process of technical change; the role of entrepreneurship and innovation; consumption, saving and investment; government and public administration; urbanization, population, and the family; education and communication; and the methods and problems of research into the social aspects of industrialization and technical change.]

These are
excerpts
from the
paper.

Communication is an all-pervading aspect of the social environment. Unlike government, education, the church, or the market place, it is not a social institution. However, almost every social act in every institution involves some communication.

Of the many development plans which have been adopted by modernizing nations in the past decade, only

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a few have given investment in a mass communication system the emphasis it deserves. The development of a mass communication system has seldom been regarded as a priority measure toward modernization, comparable in significance to steel mills, roads, railroads, electric power, etc. Only literacy has been given comparable priority. In non-communist countries, also, when the mass media have been put at the service of development efforts, the operative hypothesis has usually been that they should be consciously educational. Entertainment, movies, commercial radio, etc., have often been regarded as detours from the immediate national task.

This Puritanical view is probably a mistake, since it neglects two factors which we should discuss at some length. The first factor is the necessity of developing attention and motivation among a very wide mass audience before the process of self-sustaining growth can become effective in a democratic society. The second factor is the role which image formation -- as distinct from skill-training and exhortation -- plays in the process of modernization.

A characteristic of modernity is a willingness to plan and operate on a large stage. Wide markets and vast enterprises require the unifying and organizing facilities provided by mass media. Industrial producers must be able to advertise to a large proportion of a large population all at once. National development planners must advertise their programs to audiences of even greater comprehensiveness. Publicity serves to create broad markets. National daily dissemination of commodity price quotations makes market mobility possible. It undermines traditional dependent relations between rural producers and village traders. Universal prompt knowledge of sanitary countermeasures similarly helps a nation to cope effectively with human and agricultural epidemics. Village education plans or village sanitation plans -- or any such plans that involve persuading, within a relatively short period, several thousand different village communities to want or do the same thing -- must rely on more than bureaucratic channels. A number of people in each village must be reached repeatedly by the same or similar exhortations. This makes necessary the use of mass media of communication.

Furthermore, common concerns with foreign developments and with national political activities, as covered in the newspapers, contribute to the growth of a national consciousness. Mass media, especially radio, movies, etc., tend to promote homogeneity in language, and a shared popular culture, in contradistinction to sectional and group ones. They help make possible nation-wide parties and voluntary associations -- instruments for action on a country-wide scale. It is extremely difficult to conceive of the possibility of organizing large masses of persons over large areas on a continuing basis without a system of mass communications. A mass media system which reaches all strata of the population is part of the social overhead capital for the creation of a nation-wide arena of action.

However, not all mass media systems can fulfill this function. The problem of the mass media is to capture the interest, attention, and respect of a large audience. A mass medium provides, at best, a pale substitute for the personal leadership which it can quantitatively, but never qualitatively, surpass. Studies made of even such a media-dominated society as the United States have shown that personal influence is a decisive ingredient in both political and purchase decisions of ordinary citizens. There is a complex relationship between the media system and personal influence. A mass media system disseminates information which is picked up on a wide scale by individuals already interested in and attuned to particular items. These persons become "opinion leaders." Others may see or hear the same things; but they will not accept, or act positively on them until the desirability of doing so is confirmed by the opinion leader.

If this is true even for buying in as advertising-saturated a society as the United States, how much more true it is in traditional society with its strong personal bonds!

Paul Neurath's study of village radio programs in India provides a clear illustration. Programs that were heard by individual villagers had no discernible effect. When they were heard by organized listening groups which then discussed them, they produced dramatic changes toward adoption of new agricultural methods. The mass medium had to enter into the decision process of an actively functioning group before it could have real effect. It did not act on individuals in an isolated fashion.

A mass media system, if it is to be effective in promoting modernization, must be designed to provide organs of expression and mobilization for those groups which have significant functions in development and change. Modernization implies mobility in function and in the influence derived therefrom. This is facilitated if access to media of mass expression is readily available to persons who are organizing modernizing activities.

In free societies, the press has this characteristic. Where private enterprise flourishes, a commercial press based upon advertising evolves. It supplies a link among entrepreneurial organizations, and between them and their customers. In societies where nationalistic and other political movements are the chief instrumentalities of change, a party press is likely to evolve. Because, in most countries, the press must seek support where it can find support, it tends to connect itself rather well to the significant functional groups in society.

Radio, however, has more often been established as a subsidized monopoly. In many parts of the world, it has, therefore, tended to operate in a political vacuum. Frequently, a few intellectual officials in charge of broadcasting dictate that what they think is good goes out on the air. It is often expressed in an idiom that only educated persons

in the capital city understand. Even agricultural information broadcasts are sometimes in the "good" form of the language. Furthermore, the national radio is generally kept from serving the special interests of selfish groups; both commercial advertising and politically partisan programs are often either severely restricted or prohibited. The radio is reserved for supposedly national purposes.

Operationally, the results of this policy are frequently diametrically opposite to the intended effects. The special interest groups who are denied access to the instrumentality of radio are the groups which, in any society, provide the meaningful reference function to individuals. Much as national leaders may regret it, something as broad as the nation is not a primary reference group. Opinion leaders are scattered among the citizen body; and, if the citizen body is genuinely to be mobilized, these natural leaders must be utilized. Hence, if broadcasting rights are denied to special interest groups they are denied to the opinion-leading elements and thus, most significantly, to those few dynamic groups in any society which are the organizers of change.

Of course, if leadership of the process of change is considered to be a monopolistic prerogative of a single group -- e.g., a ruling party, as in a totalitarian society -- such exclusive control of mass media makes sense. But, if initiative for innovation and development is to be encouraged in a variety of sources in a society, then mass media facilities must be made available to the centers of initiative. Whether the decentralized sources of initiative be private investors, village councils, political parties, co-operatives, school systems, or all of these, mass media control and facilities should be at their command.

We reach a similar conclusion if we consider the problem from the point of view, not of the opinion leaders, but of the mass audience itself. While mass media alone seldom serve to provoke audience action, they do have vital contributory effects. However, these effects all depend upon the audience's caring about the media. The audience must enjoy the content of the medium, understand it, and find in it characters with whom they can identify and topics that bear on their own lives -- in general, they must find it so interesting that they will continue reading and listening with absorption.

Commercial media can be depended upon to cater to audience interest -- indeed, they often do so to the point of cultural debasement. Competition leads them to build as vast and absorbed a clientele as they can. It is the so-called "educational" media, or media of public "enlightenment," that may fail to educate or enlighten, because they do not bother to gain an audience.

Among the Western liberal and socialist ideas that have diffused to, and been widely accepted in, developing countries is a somewhat snobbish

contempt for commercial media. Western ideas have been taken to other areas by intellectuals who tend to transmit the Western intellectuals' criticisms of those aspects of Western society that do not express their own values. These views are adopted by intellectuals in developing countries. At the UNESCO-sponsored meeting on Development of Information Media in South-East Asia, for example, there was a bitter attack (led, not by left-wingers, but by a Pakistani delegate, supported by Thais and others) on commercial radio and television as degrading. A resolution was proposed against the intrusion of commercial broadcasting into the South-East Asian area. The proposal was not adopted only because it seemed to be an attack on those countries which use commercial broadcasting. The prevailing opinion -- that commercial radio is an object of suspicion -- was expressed in the resolution which was adopted, that commercial radio, if allowed at all, should serve the public welfare.

Would a positive communication program for developing countries contradict this opinion? What measure is likely to accelerate the modernization of a country so fast as the introduction of large-scale commercial advertising on press, radio, and television? The demand for soap, toothpaste, aspirin, or bicycles generated by advertising will not conform to any officially ordained schedule of priorities. But, the desire for new ways of life is indeed generated rapidly when profit-seeking enterprise does as much as it can to stimulate this desire. One of the cheapest ways to impel a country to strive for modernization would be to blanket it with subsidized cheap television sets and then to permit commercial telecasting. Such a program can be validly opposed in terms of other values. But, if the goal is the transformation from traditional to modern society, is this program not as effective as anything one can do?

Our opinion that commercial mass media can be a powerful stimulus to modernization is vulnerable on two grounds. It can be opposed on the basis that the barrier to modernization is not insufficient popular awareness of the good things industrialization can bring; the obstacle is, rather, the lack of means for obtaining the good things. Further, it can be argued that, to acquire these means, developing societies need to increase savings -- to curb, not stimulate, consumption. This viewpoint contends that villagers around the world are not traditional by choice. They want bicycles to ride and medicines to cure their ills. What they lack is not desire, but a Puritan ethic that urges systematic self-denial on behalf of productive thrift. Accordingly, a demonstration effect which comes from contact with industrial civilization is a barrier to development. Such contact generates unsettling, unrealistic demands for immediate consumption -- demands which cannot be satisfied.

In the last analysis, this theory, however plausible, is invalid. It tries to make development planning operate more appositely and tranquilly by eliminating the dynamic motivational force that can set masses in motion. While there are relevant economic issues (although we must pass over them here), social-psychological considerations make it doubtful that such a sanitized program can ever work.

First, villagers and illiterates around the world do not clearly conceive of a modern industrial life as their desired good life. Of course, they want more food, better houses, easier transportation, and cures for their ailments. But these desires are old. To equate them to a desire for the goods of industrialization is to equate the magic of potions to the techniques of science and industry. To want cures for disease is not the same as wanting pasteurized milk, chlorinated water, sterile hospitals. A great deal must be learned about germs, asepsis, vitamins, and balanced diet before the desire for health becomes a set of desires for the practices and equipment of modern hygiene. The wish for more food is not yet a longing for canned goods. A desire for advancement is not yet a demand for mathematics courses in the schools. The shape of the good life needs to be delineated.

Then, too, even when desires for modernity exist, there may not be enough willingness to pay the price. Ambivalent desires are not enough. Villagers who want schools may still be reluctant to have their children abandon village ways. Villagers who desire more food may still be unwilling to violate taboos. Modern things must be wanted -- but they must be wanted enough so that people will be willing to change their way of life to obtain them. And, in addition, the desire for a better life must be strong enough to provide an incentive for systematic savings and investments.

Indeed, the notion that savings and investments will be higher in a society that does not have the driving inducement of burgeoning consumer wants is an odd one. Capitalist investment has always expanded and flourished where the market for the products seemed to be growing without limits. Socialist development plans, too, have had to hold the promise of more consumer goods as a goal, often postponed but always in the forefront of consciousness.

The propaganda for modernity contained in commercial media, such as the press, movies, and commercial radio, is not just a plea that the audience buy a particular brand of soap. That plea may support the operation; but the medium, and the plea, would have no audience and no effect if the medium did not supply a far richer fare of enlightenment and excitement. The request for a particular purchase preference is only a small part of a plea in favor of a whole modernized way of life. Media which are committed to expanding the market for new products, new interests, and new enjoyments also portray new kinds of men in new kinds of environments. The entrepreneur, as Marx pointed out, is a "revolutionist," although he may not intend to be. It is the mass media -- traditionally the press, but now others too -- which make what would otherwise be wistful dreams of a few modernizers into the dynamic aspirations of a whole people.

At this point, we should review our argument. Earlier, we pointed out that mass media seldom induce action except as adjuncts to face-to-face opinion leadership. Yet now we are stressing the power of the mass media. How can we resolve this apparent contradiction?

The development of a mass media system does not replace or destroy the age-old system of direct communication. The network of personal contact remains important -- for, contrary to much in older sociological writings, modern society is not anomic, depersonalized, or free from primary-group controls. The development of a mass media system embeds traditional channels of contact within a new system of intercourse.

The new system, superimposed on the old, results in giving communication in a modern society four qualities not present, in comparable degree, in communication in traditional societies.

- (1) It keeps accurate and permanent records. Newspapers, films, books, magazines, and magnetic tapes are available for reference and verification years later.
- (2) It is extraordinarily rapid -- it can report major events, within hours after their occurrence, all over the world.
- (3) It extends the scope of men's empathic comprehension beyond the compass of their firsthand experience. Newspapers and radio enable people to conceive what it is like to be a ruler, or a foreigner, or a millionaire, or a movie-star.
- (4) It co-ordinates the groups which constitute the personal contact network. To each of the opinion leaders of the various groups in the society, it gives similar clues and it conveys to the members of these groups similar images. By establishing a common record of mutually understandable information simultaneously available over large areas, a mass media system welds the segments of the personal contact network into a whole, capable of integrated action.

The ways in which the mass media matrix operates on the interpersonal structure of society are varied. Guidance by face-to-face leadership is usually necessary to induce social action. But, action is only one consequence of communication -- and, perhaps, the one which requires the maximum stimulus. Persons do many things mentally before they can be impelled to change their conduct in life.

In addition to inducing action, the mass media contribute to the imparting of skills, disseminating of facts, creating of images, and establishing of identifications. A short-sighted view of the role of communications in modernization might focus on persuasion to act and treat each of the other effects of communications as but intermediate steps to

action. That is the view of the advertiser or policy-maker who is interested in his chances of obtaining a specific result from a set of persuasive messages he originates. But, in the long run, the character of a society (e.g., its modernity) may be more deeply influenced by the distribution of skills available in it, or by the goals in which it believes, than by any single action its members are persuaded to take.

Let us consider the effects of the existence of a mass media system on a society in terms of each of the consequences of communication that we have listed. We have already noted the limited role of such a system in impelling action -- it implements co-ordinated action, on a national or even wider scale, by providing guidance to opinion leaders who are the instigators of action in face-to-face groups.

We know less about the role of the media in imparting skills, but there seem to be some similar restrictions on their impact. Ordinarily, the personal direction of a teacher seems to be essential for the difficult process of learning a new art. Studies of television courses or agricultural extension courses indicate that the media do not impart much learning unless they are aided by discussion groups, teachers, etc.

But, in teaching facts and creating images, the mass media present a different picture. They reach beyond the leaders of face-to-face groups, and directly influence the people as a whole. The media create a picture of the world; and, in a modern society, we all learn this picture from what we read and hear. Study after study has shown that the media have small effects on attitudes and actions, but far greater effects on images. Hilda Himmelweit found, in England, that television (especially when there were several channels among which to choose) had little effect on the values, attitudes, and cultural accomplishments of children; but it had a profound impact in imparting images. Western cowboy films, for instance, usually did not demoralize children or change their attitudes toward violence. They did, however, supply the children with an image of what a cowboy was like, or how a town of the American West looked and felt.

The images people have of the world around them are the realities in terms of which they act. Such images have an abiding significance far greater than that which the concept "image," with its ethereal connotations, suggests.

The process of modernization is, very largely, the process of acquiring new images. For example, there is the image of life as subject to deliberate change. The peasant who perceives the failure of his crops as resulting from the operation of a jealous purposeful fate against which man is impotent can acquire, instead, the image of events as subject to technical manipulation through knowledge and organization.

Another image is that of the possibility of economic growth. Malayan Communists, as described by Pye, had acquired a rudimentary image of modern life; they had not yet perceived the available good things as being essentially limitless because subject to creation. They saw a static consumption economy in which there were a certain number of good things -- most of them possessed by the West. Communism was a way to redistribute the wealth by taking from those who had and giving to those who had not. Modernization means, among other things, the acquisition of an image of limitless progress and growth as the normal character of life.

A third image is of what it is to be cultured and educated. This has reached millions of young men and women, and has filled them with the aspiration to be literate, to know the names of the great writers and artists, to practice the marvels of science, to work as professionals and intellectuals.

The sectors of the world not yet modernized have an image of the modernized portion of the world. The "revolution of rising expectations" is the phrase most often used to describe the awareness, reaching all the world's peoples, that diseases can be cured, that people can drive automobiles, etc. The point is frequently made that knowledge of technological possibilities comes on the wings of the mass media and vastly outdistances people's willingness to do the things necessary to achieve these possibilities. Essentially, this is what we are trying to say here -- in forming images, the media reach right down and change the people directly; action comes only by the more tortuous processes of social organization.

Identification with the objects whose images the mass media convey does not follow automatically. It is a somewhat more complex phenomenon than imagery itself. It clearly depends in part on interpersonal leadership, but not so much as action does. People do learn to identify with characters whom they have met only through the media. The little world of friends and relatives who are the subjects of village gossip is replaced by the world of film stars and party leaders encountered through the mass media. The media audience member puts himself into their places and begins to consider what he would do in their circumstances. He approves of some of the new members of his circle of experience and is against others. Psychically, he has become part of the great society before he is asked to participate actively in it.

The psychic initiation of vast numbers of people is an essential step in the process of modernization. The modernizing actions which any developing society must call upon people to take are so many and so varied that they cannot be prescribed by central authority alone. Punctuality, good work habits, investment, readiness to change to

improved methods, confidence about manipulating machinery, moving to new residences, adopting personal hygiene, tolerating new liberties by one's wife and children, etc., are all acts which millions of individuals must perform in billions of specific circumstances. The experience must be psychically rehearsed many times before the acts can be performed. Personal leadership is often required as the final impetus to such actions; but it can operate only after the media have first made these actions familiar and understandable.

That is why the development of a modern communication system is an important part of a well-conceived development plan. Many things are needed. Among them are expanding the manufacture of newsprint, the building of movie theaters, the promotion of literacy. Radio and television are particularly important because they by-pass literacy. The government of Malaya has wisely waived tariffs on low-cost receivers. It would be good to see the production and wide diffusion of a four- or five-dollar long-lived battery radio or of a comparable, though somewhat more expensive, television set. Technologically, such sets are feasible if manufactured in large quantities.

Measures to raise the professional status of mass media personnel would also be helpful to modernization. The values, aspirations, and quality of media personnel will be translated into the character of a nation's development process.

Modernization would also be facilitated by a mass media system which consciously set out to raise the level and knowledge of the people, by means of education, advertisements, exhortations, and purposeful effort.

The media have a great responsibility, and one which they cannot fulfill by preaching alone. The mass media system must be linked with the face-to-face organization of the population. Listening groups, clubs, village workers, co-operatives, etc., cannot be replaced by the mass media nor can they be substitutes for them. The two kinds of communication must parallel and reinforce each other.

Let us close by noting one contribution which the world's mass media can make to the democratic modernization of a country. As the limits of a people's awareness grow to include foreign countries, and especially the industrialized ones, the people become curious about the ways other nations view them. Indeed, universally, the foreign news which interests people most is foreign news about themselves. Each of us likes to read about others' attitudes toward ourselves.

Thus, the world view of a nation's performance becomes a significant sanction toward good and progressive performance. When a new country holds its first election, and millions of people go to the

polls peaceably and responsibly to choose their own government, the approving attention of the world can provide an important reinforcement to democracy. Every nation wants to be recognized as modern and advanced. Shame is an important factor in undermining many deep-rooted customs which run counter to modern values -- e.g., customs in the treatment of women, in denying equality on the basis of social origin, in the use of magic, etc. Shame is felt also for the very fact of poverty or for lack of political order. Pride is felt in development plans, in new schools and hospitals, in steel mills (the temples of industry), and in the emergence of the arts of culture and progress. A very positive contribution can be made to modernization if foreign countries turn their spotlights on the admirable and forward-moving steps which a modernizing country takes, and if the mass media inform people how much and with what respect others are watching their successes.

A PROGRAM FOR STIMULATING THE DEVELOPMENT
OF NEWSPAPERS IN RURAL LIBERIA

[From "Liberia's New Country Editors Thrive on News,"
NEWSLETTER, U.S. NATIONAL COMMISSION FOR UNESCO,
Washington, D.C., February 1964, Vol. XI, No. 3.]

[As literacy spreads in a developing country, newspapers become an increasingly important medium of communication in the development process. Most newspapers serve urban areas, but in Liberia an effort has been under way to assist the establishment of newspapers by local people in rural areas to serve the needs of the local communities. Liberia's new rural newspapers are serving a dual purpose: on the one hand, they are an effective channel for communicating information about national development policies and programs to the local people; and, on the other hand, they are a means whereby development officials and others in the capital city are informed about local needs, problems and accomplishments in the rural areas.]

This is a
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article.

The power of the press is making itself felt for the first time in the back country of Liberia. At the beginning of 1963, there was only one rural newspaper in this African republic. Today, there are 30 dotted over the map of the country, taking the pulse of their communities and reflecting their achievements and their problems.

This overnight mushrooming of newspapers like the Tappita Times, the Kahnple Dispatch, the Zorzor Weekly Kelai, or the Webbo World, is the result of patient work by the Liberian Information Service, headed by E. Reginald Townsend. Working with Mr. Townsend is an American ex-newspaperman who is a publications adviser to the Liberian Government for the United States Agency for International Development.

These country newspapers are simple and inexpensive to produce, using mimeograph machines as printing presses. Since costs are low, local editors have no trouble making their papers pay for themselves.

In some cases, where mimeograph machines have not been available, editors have even gotten out their editions by placing stencils on inked flannel tacked to a board, and then using a short length of pipe to roll off their pages.

The average issue of one of these new Liberian newspapers costs the equivalent of one dollar, the price of the paper. The Liberian Information Service supplies the paper, and prints free of charge the masthead (or name) of the newspaper. But, after that, the editor is on his own. Since local merchants and churches have shown ready enthusiasm to take out advertisements at the rate of a dollar an insertion, the country editors -- with circulations running between 100 and 500 -- have little trouble balancing their books.

From the Liberian Information Service in Monrovia also comes a regular bulletin containing advice to country editors on problems of make-up and news writing. These editors, many of whom are local school-teachers, are thus initiated into the journalist's craft, with hints on how to write headlines or how to build up sources of news.

The bulletin seeks to encourage clear, concise writing with simple words and short paragraphs. This is not only one of the basic rules of journalism but, in the case of Liberia, it serves a dual purpose by bringing newspapers within the grasp of new literates. Recently, the Service announced a series of national prizes for the best paper, the best make-up, the best editorials, and so forth.

Educators point out that the rural newspaper is proving to be the "mortar that holds together the building blocks of public opinion." These papers throughout Liberia have a good deal in common. They all cover important community events -- such as the building of new roads -- and they also deal with problems of immediate interest to their readers. Among such problems are the fight against malaria or the need to plant swamp rice instead of burning over hillsides in the traditional way that breeds soil erosion.

Liberia's country editors have quickly learned that names make news and that people like to read about events that happen close at hand.

The country newspapers are a two-way channel of communication. Not only do they bring local and national news to their readers, but they also serve to keep the entire nation informed of life in rural Liberia. Items from country papers are regularly reprinted by dailies

in Monrovia, the capital of Liberia, and are also broadcast over the country's radio stations. The papers themselves pick up news from each other, keeping their readers informed about what is going on in the next county. This creates a healthy spirit of competition in civic improvements.

The staff of the Liberian Information Service is remaining quietly in the background, helping editors and keeping them informed of what other papers are doing. Liberian advisers make the rounds of newspaper offices, sometimes bouncing by jeep for two days over rough trails. But, the roads are getting better in the back country of Liberia, and some of the credit should go to the nation's new country editors.

CONCEPTS AND METHODS IN THE ANALYSIS
OF INNOVATION AND SOCIAL CHANGE

Elihu Katz

[From "The Characteristics of Innovations and the Concept of Compatibility," a paper prepared for the Rehovoth Conference on Comprehensive Planning of Agriculture in Developing Countries, held at the Weizmann Institute of Science in Rehovoth, Israel, from August 19-29, 1963.]

[In the last few years, increasing attention to the sociological and psychological aspects of development has resulted in improved understanding of the complexity of the process as a whole and has even begun to yield practical suggestions for taking noneconomic factors specifically into account in devising particular development programs and projects. However, it has also generated some unrealistic expectations regarding the possibility of short-cutting development obstacles by ambitious schemes of "social engineering" designed deliberately and rapidly to transform social values, institutions and relationships in the less developed countries.

Excerpts
from the
paper begin
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page.

In this paper, Dr. Katz evaluates the concepts currently used by sociologists and anthropologists to analyze the process of innovation as it is affected by values, institutions and relationships. He explains both the advantages and the weaknesses of the existing methodology, pointing out its limitations in accounting

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for the observable phenomena and, hence, the still limited extent to which it can be used as a practical guide in efforts to introduce particular innovations into developing societies. Dr. Katz's paper is part of a continuing project at the University of Chicago seeking to assemble and integrate studies dealing with social and psychological factors relevant to the diffusion of innovation. Dr. Katz acknowledges that a number of the ideas presented in it were stimulated by the work of Herbert Hamilton, a colleague on the project, and is grateful for the support of the Foundation for Research on Human Behavior. Many of Dr. Katz's footnotes are reprinted at the end of the excerpts as a bibliography for those wishing to probe more deeply into this field.]

Over the years, a variety of research traditions have contributed to the study of the diffusion of innovation. Research workers in rural sociology, anthropology, education, mass communications and other fields, have documented a large number of episodes in which individuals or groups or communities are confronted with something new which they consider for possible adoption. Unfortunately, it is difficult to proceed from these cases to a more abstract statement of the diffusion process or of the strategies appropriate to the successful introduction of change.

This is so, first of all, because each of the research traditions involved has tended to emphasize certain elements in the diffusion process to the exclusion of others; anthropology, for example, has been concerned primarily with the role of values and intergroup relations in conditioning the acceptance of change; rural sociology has been rather more concerned with the effectiveness of the various channels of communication and with the social attributes of individual adopters; and so on. ^{1/} Secondly, generalization is difficult in diffusion research because there are so few comparative studies oriented to the testing of hypotheses. No more than a handful of studies have compared the response to a given innovation in two different communities (with different values, say, or with differing social structures). By the same token, there are very few studies which have examined the response of the same community to two or more different innovations.

Underlying a large part of this latter problem is the fundamental difficulty of characterizing the "item" in diffusion research. In other words, no adequate content-analytic scheme exists whereby the key attributes of a given innovation -- those most likely to influence its chances of acceptance and the path of its diffusion -- can be identified. If one cannot say what it is about a given innovation that explains its fate, one cannot explain the differential success of different items; one cannot explain why some people respond to one item rather than another; one cannot predict the fate of new items.

This problem, of course, is not altogether different from the overall one of generalization from empirical research in the social sciences. One must constantly ask what it is about a given stimulus that is responsible for an observed effect, and what it is about a given set of respondents that might have conditioned their response. Without working assumptions (which, themselves, are ultimately testable) one cannot proceed from the laboratory or the field to "real life." This paper will attempt to review and to synthesize some of the attempts that have been made to characterize items, and will then advance some suggestions for coping more successfully with this problem.

On the Classification of Items in Diffusion Research

One approach to the classification of items focuses on the inherent attributes of an item. The best known example of this is the traditional classification of items as "material" and "non-material," and the long-standing hypothesis that it is easier to gain acceptance for material items (things) than for non-material ones (ideas). In recent years, theorists and researchers have tried to specify more clearly what is implied by these concepts and this, in turn, has led to two rather more manageable dimensions -- "communicability" and "pervasiveness." 2/ These dimensions serve not only to distinguish between "material" and "non-material" items, but also among "material" items themselves. The more "material" an item, the more readily is its utility explained and demonstrated (communicability) and the more limited and more readily apparent are its ramifications (pervasiveness). Pervasiveness might be defined in terms of the extent to which the adoption of a given idea or practice requires changes in other ideas and actions of the adopter. This concept links the study of the communication of social and technical change to the much more familiar problem of assessing the social consequences of introduced change.

10. By "systems" will be a problem

A study of Japanese farmers, for example, suggests that innovations which required only changes of technique were more quickly accepted than those which implied changes in the basic farm enterprise (e.g., in the number of crops per year) because of their differential pervasiveness. 3/ It follows from this, as Margaret Mead has pointed out, that maximum care should be taken to strip items of unnecessary "adhesions" when they are transferred from one culture to another because adhesions tend to multiply the pervasiveness of an item. 4/ The introduction of mining, to use Dr. Mead's example, need not be accompanied by the Anglo-American style of mining town. This point is also made by McKim Marriott in his discussion of the transfer of Western medical practice to an Indian village. 5/

Employing these dimensions of communicability and pervasiveness, Herbert Menzel has recently attempted to classify a number of medical innovations and to predict, on the basis of some of the known attributes of individual physicians, which sorts of physicians would be early to

accept which sorts of innovations. 6/ Thus, an innovation high in communicability and low in pervasiveness (for example, a new drug which represents only an improvement over its predecessor) would be more readily adopted by physicians who are well integrated in the local medical community, by virtue of their greater access to word-of-mouth communication from colleagues. On the other hand, an innovation which is high in pervasiveness (psychosomatic concepts and techniques, for example) would be more likely of acceptance by a physician who is less closely bound by the norms of his local medical community.

Another dimension employed by Menzel, one that is often implied in the literature of rural sociology, has to do with the notion of risk. In part, the risk (or "radicalness") of an innovation is a function of its dissimilarity from the item it is designed to replace; in part, too, it is a function of the extent to which others have reported their experience with the item. Adopting the first item in a family of items is considerably more risky than adopting those which follow after. Of course, greater risk is usually associated with greater pervasiveness. In a sense, risk might be defined as the extent of concern over pervasiveness which cannot be anticipated. But there is more to it than that. Two rather useful indices of risk are "reversibility" and "divisibility." 7/ The more readily reversible, the more easily the status quo ante can be restored; irreversible items, therefore, are adopted with greater risk. Divisibility, or the extent to which an item can be adopted in small amounts -- on the installment plan, so to speak -- also reduces risk. Some methods of birth control are much more difficult to reverse than others; hybrid seed corn, but not, say, air conditioners, can be adopted a little at a time.

Another basic dimension can be loosely termed "profitability." This would include the sorts of things that Barnett discusses separately in his categories of "efficiency," "cost," "advantage" (both material and social advantage, such as prestige), "penalty" and "pleasure." 8/ Indeed, in this general sense, it would seem virtually a prerequisite to the adoption of any kind of innovation. Sociologists often seem anxious to prove that, in the more strictly economic sense, potential "profitability" is not enough to explain adoption; economists, they are convinced, are intent on making people seem more "rational" than they actually are. Be that as it may, the fact remains that variations in the profitability of an item do affect its diffusion. Griliches has shown for hybrid corn and other innovations in agriculture that the diffusion rate varies from area to area as a function of the average yield per acre (i.e., the differential profitability). 9/ XXX

These four dimensions -- communicability, pervasiveness, risk and profitability -- catch up many of the specific attributes of innovations which have been mentioned in the literature. More important, they are among the variables which have been used most frequently in comparative studies to explain observed differences in the diffusion

rate for different items, or the early adoption of certain items but not others by certain kinds of individuals. But it is still a long step to standardization of the measurement of these characteristics and, indeed, the question of whether this can be done at all without taking the potential adopter's own perceptions into account remains a basic issue.

On the Concept of Compatibility

Even if items can be classified "objectively" in terms of their inherent qualities, there is good reason to believe that the very same set of qualities will be differentially appealing, or appropriate, to different individuals and groups. Indeed, it should be evident from some of the examples given thus far that the problem of classifying items may be restated in terms of the problem of matching the attributes of items with the attributes of potential adopters. Menzel's paper, for example, comparing the attributes of items, on the one hand, with the attributes of physicians on the other, goes on to predict which items will be more likely of acceptance by which individuals.

As soon as the problem is stated in this way, an obvious link is forged between these classificatory efforts and the work of those anthropologists who use the notion of "compatibility" as a central concept. Their emphasis, typically, is on the compatibility of the values of potential adopters and the attributes of an innovation. 10/

There are many problems surrounding the concept of compatibility, and little has been done to clarify them. First of all, there is the question of how to characterize cultures in terms of their value orientations. Altogether, very few attempts have been made to develop a systematic set of categories for the comparison of cultures; the work of Florence Kluckhohn is perhaps the best known of these efforts. 11/ Secondly, there is the problem of deciding which elements of the culture are to be regarded as predominant as far as the compatibility of a particular item and culture is concerned. 12/ Third, there is the problem of specifying the concept of compatibility more carefully. One must distinguish between the compatibility that is (or is likely to be) perceived by the potential adopter from that which an objective observer may perceive. And, by the same token, a distinction must be made between short-run and long-run compatibility. Just as in marriage, what attracts the partners to each other may have very little to do with their long-run compatibility; and, similarly, whether they believe themselves to be compatible has more bearing on their decision to marry than what an objective observer thinks. The trouble is that most analysts using the concept have speculated long after the fact of initial acceptance or rejection why a given item met its particular fate in a given cultural setting.

Reviewing the anthropological applications of the concept of compatibility, it is almost impossible to find a systematic basis for extrapolating from what is known to what is not. Most of the analyses are thoroughly discreet; that is, they apply specifically to a single culture and an individual item. 13/ Indian farmers resisted hybrid seed because of the belief that a farmer should make his own seed; 14/ Peruvians resisted the suggestion that they boil water because it clashed with their idea that "hot" foods are for sick people; 15/ it was decided to substitute powdered milk for whole milk among the Zulu in order to avoid association with the sacred cow; 16/ television was adopted earlier by people who might be called "present-oriented" rather than "future-oriented" both in the United States and England; 17/ women of the Yurok tribe of American Indians did not follow the fashion of bobbing their hair because short hair is a symbol of mourning in their group; 18/ and so on.

Even as suggestive a theory as Barnett's provides only a set of psychological equations by means of which an innovation-plus-its-perceived-adhesions comes to be understood and evaluated in the light of pre-existing practices and beliefs. But these equations seem to be wholly dependent on the unpredictable frames of reference employed by the potential adopters. Perhaps the most that can be said by way of generalization is that these cases are concerned with the "pervasiveness" of an item in the sense that they point out the value areas which will be touched by an innovation if it is adopted. 19/ They suggest that the agency interested in gaining acceptance for change must consider not only the specific value area to which an innovation is addressed, e.g., food values in the case of a new food product, but also relatively less obvious connections. Studies have shown, for example, that new plants and new foods have been resisted or accepted because of religious or even political values. A market research agency in the United States conducted a small-scale survey of early users of a large number of different new items, and, among other things, found that early use of cafe espresso and other exotic coffees was better explained in terms of the prominence of political values than of food values. 20/

Short of the messianic computer which Margaret Mead seems to envision as a solution to the problem of anticipating the compatibility between an item and a culture, the best available technique seems to be the much more primitive "pre-test" in which potential adopters are interviewed in some depth concerning the proposed innovation and observed while trying it out. Interestingly, this is the technique of the so-called "motivation researcher" in the field of marketing who, like the anthropologist, is interested in the symbolic meaning of a product and its compatibility with the values and self-images of consumers.

So far, this discussion of compatibility has been limited to the very specific values which condition the acceptance of very specific

innovations. There is another aspect to this problem, however, and that is the much-discussed question of the values that are compatible with change in general. There can be little doubt, on the basis of the available evidence, that the orientation which has variously been labeled "rational," "secular," "discerning," "flexible," "relativistic" and the like is indeed predictive of a greater openness to all sorts of innovations. 21/ By the same token, a concern with this-worldliness, the ability to conceive of oneself in a different situation, and the achievement orientation characteristic of the Protestant Ethic are each conducive to the acceptance of change. 22/ In terms of Florence Kluckhohn's scheme, these may be stated as a set of values emphasizing "man over nature," "future orientation" and "doing" rather than "being." But that does not mean, as others have demonstrated, that all other values militate against change. The case of Japan is a favorite antidote to this misconception; in Japan, some of the traditional attitudes themselves were invoked in favor of modernization. 23/ Similarly, Milton Singer claims to have discovered a basis for the acceptance of innovation in some of India's traditional attitudes. 24/ And Bert Hoselitz has pointed out, in quite a different connection, that tradition may leave considerable room for change except, perhaps, when the entire weight of a normatively-rooted, self-conscious and formal "ideology" is thrown up in opposition. 25/

The other side of the coin should be exposed too. It is simply not true that every sort of innovation -- even those that are highly communicable, low in pervasiveness, low in risk and high in profitability -- finds easy acceptance in cultures with presumably modern attitudes. 26/ The widespread and apparently "irrational" resistance to the acceptance of water fluoridation (for the prevention of tooth decay) is a current example from the United States and several countries in Western Europe. 27/ Of course, it is possible that the opposition stems from the more traditional elements of the population; but this is not wholly the case.

In any event, and despite the apparent overstatement in the writings of those who argue that a modernized outlook (and thus, in most cases of developing nations, a changed culture) is a prerequisite to the acceptance of modern practices, there is much to be said for the steps that have been taken to systematize this kind of thinking about the compatibility of values and innovations. But then, of course, this has been nothing less than one of the major preoccupations of the classical sociological theorists and their disciples.

As for the compatibility of a specific item and a specific culture, it is difficult to see what the next step should be. Looking at the matter from the point of view of the agent of change, the difficulty lies in anticipating how the item will be perceived (i.e., classified) by its potential adopters, given the almost unlimited number of specific values of which any culture consists. In some cases -- the case of

introducing milk into the Zulu diet, for example -- the agents of change were apparently able to anticipate the frame of reference that the innovation might invoke; in other cases, however, this would seem virtually impossible. To summarize, it might be said that the concept of compatibility is a valid one, but it is a very difficult concept to put to work.

Moreover, all that has been said about compatibility so far has been from the realm of values. Little thought has been given in the literature to the problem of matching the attributes of an item with the other elements in the diffusion process. For, along with values, a definition of the process of diffusion must also include the channels of communication employed by the adopters, the social structure of which the adopters are part, and the structure of the unit of adoption itself. ^{28/} At the risk of complicating the concept of compatibility even further, the remainder of this paper will propose that it is worth looking at the compatibilities between a specific item and these other elements of the diffusion process. It will be argued that items can be more easily matched to these elements a priori, and that such matching may have considerable bearing on the success or failure of an item in the social context to which it seeks admission.

The Item and the Unit of Adoption^{29/}

Another way of classifying items is in terms of the unit of adoption which they "require" for implementation. The acceptance of a new kind of hybrid seed or a new vaccine against, say, infantile paralysis "requires" only an individual, but a dam or a granary or an irrigation system may "require" joint acceptance by a group of farmers or by an entire community. Moreover, innovations which "require" groups may, in turn, be subdivided according to whether they imply total acceptance by all persons or whether any given individual is free to opt out. The diffusion of fluoridation in the United States, for example, is contingent on a community-wide decision (which may be made by elected officials on behalf of the community, or by direct vote of the electorate) the outcome of which is then binding upon all in the sense that even those who were opposed must drink fluoridated water. Clearly, this is different from those group decisions where an individual who is in opposition simply does not participate.

Now, just as the item may be classified in terms of the unit of adoption which it "requires" so may the receiving society be classified in terms of the unit of adoption which it "favors" or "prescribes." Some societies favor more individualistic action; indeed, one of the fundamental reasons for resistance to fluoridation in the United States is the very fact that it "requires" a community decision which is binding upon all without exception. The cry of infringement of "civil rights" which has been raised against fluoridation essentially reflects

this objection. On the other hand, there are societies which "favor" collective rather than individual decisions. The Israeli kibbutz, for example, "prescribes" a group decision even when it comes to items which "require" only individuals for their adoption -- consumer goods of all kinds (radios, for example, or teapots) are subject to regulation by the group.

By the same token, a culture may "prescribe" particular kinds of individuals or groups as appropriate units of adoption within a given institutional area. In their discussion of an attempt to resettle Navaho Indians, Sasaki and Adair point out that the kin group is the normal unit for agricultural production and an innovation which fails to take this into account will encounter resistance. 30/ A similar point is made by Barnett, who attributes the objection of Palaun males to the proposal that they cultivate rice to their perception of rice as similar to taro and their perception of taro cultivation as woman's work.

There are several basic points to be made here. The first is that, other things being equal, an innovation is more likely to be accepted when it "requires" the kind of adopting units which are "favored" or "prescribed" by the culture. A second point to be made is that campaigns seeking acceptance for an innovation are more likely of success if they are addressed to the appropriate units of adoption, that is, those which are "required" as well as "prescribed." This was underlined by Kurt Lewin in his studies and experiments on the problems of introducing new habits of food consumption during wartime in the United States. 31/ He pointed out that the household "gatekeeper" for food purchasing (the woman) was not the same as for truck gardening (the man). Similarly, when more than one individual is "required" for implementation of a proposed innovation, the several individuals involved must be contacted. Failure to do so is suggested as the probable explanation of why a campaign to persuade rural Japanese housewives to add a protein supplement to rice was more successful (despite equally high verbal acceptability) than the recommendation that all kitchens should have a window; the latter "required" the cooperation of other household members. 32/

A final point to emphasize is that individuals as well as groups often delegate their decision-making power to others. The decision of the chief to accept Christianity has often made converts of the entire tribe; a mayor's decision to fluoridate the water supply constitutes legal adoption of fluoridation in many U.S. cities. Appeals must be addressed, therefore, not only to the appropriate units of adoption but to their respective decision-makers in particular. The mechanisms of decision-making for both individuals and groups are often more complicated than one allows for; but, sometimes, they are simpler. 33/ In any event, it is perilous to ignore them.

The Item and the Channels of Communication

Just as there are "favored" units of adoption so there are "favored" channels of communication which vary from community to community. The problem of discerning the appropriate channels through which to reach an individual, a group, or a larger society is, of course, one of which practitioners and researchers are rather well aware. Thus, the radio -- we are often reminded -- was suspect in Near Eastern countries until it was made more acceptable by the institution of regular readings from the Koran. The movies, presumably, are still suspect. Indeed, the media of visual and plastic communication are unwelcome both to orthodox Jews and to orthodox Muslims. In some societies, puppet theatres and other traditional media are favored over more up-to-date channels. 34/ And, there are modern situations, too, where some or all of the mass media are regarded as unreliable. Thus, under an authoritarian form of government, less trust is placed in the mass media as reliable channels of communication. 35/

Preference among the media is not limited to impersonal communication. Studies of village level workers, for example, suggest that youth and education are often disadvantageous qualities which impair effective communication. 36/ Under other circumstances, and for certain kinds of people, a single talk by a medical doctor may be more effective than repeated visits by a worker who very much resembles his clients. 37/ In some cultures, a group discussion method will yield better results than a lecture; in other cultures, it appears, a more authoritative voice is better respected. 38/

But the point to be emphasized here involves something more than the relative preference for (and relative effectiveness of) different media under different social and cultural circumstances. What is being proposed is that different sorts of items are better communicated via certain channels than others. As soon as a society offers a choice of channels to the communicator, the question of compatibility becomes part of the question of effectiveness. Eisenstadt provides a good example. In his study of cooperative villages in Israel newly settled by immigrants with traditional backgrounds (*moshvei olim*), he found that the hortatory and sometimes impassioned appeals addressed to the settlers by the village level workers urging the adoption of new work methods and the like were reminiscent (to the settlers) of the appeals of religious leaders on holy days. "Why does he talk to us as if it were Yom Kippur (the holy day of atonement)?" they asked the interviewers. 39/ The new immigrants were disturbed by what seemed to them an incongruous use of a sacred form of communication for a workaday message. Similar problems have been noted in connection with messages delivered by community workers who were of the "wrong" sex or the "wrong" age insofar as the particular message was concerned.

There has been very little work, to date, on the interpersonal networks of communication which carry different kinds of information through a society. One study, based on interviews with all the residents of a given township in the United States, sought to identify the characteristic differences among networks carrying information and influence in fields such as farm and home practices, politics, personal affairs and religion. ^{40/} Another study found the child-to-child and child-to-adult network especially effective for certain kinds of messages. ^{41/} To discover the appropriate interpersonal networks, and then to gain access to them, is a key problem for the agency of change.

This discussion can be extended to include the mass media as well. There is good reason to believe that the mass media differ among themselves in their appropriateness for different sorts of messages. Print, radio, television, movies can do different sorts of things. And, in addition, they are expected to do different things by their audiences. To get news in an emergency, for example, Americans turn on their radios, not their television sets. To get practical advice of various kinds, they consult magazines. Television is expected to entertain. These are all expectations, but it is equally true that the media actually possess different qualities. Radio and television are fast but fleeting; print can be continually consulted. Television and movies engage several of one's senses; radio and print are more abstract. Television, radio and newspapers are typically experienced in private or in the context of home and family; movies take one outside the home and cut one off from the immediate symbols of personal identity. These attributes of the mass media are differentially compatible with different sorts of messages. ^{42/}

The Item and the Social Structure

The deployment of the resources of a society, and the forms of organization which control and distribute resources, are aspects of social structure. Like the unit of adoption and the channels of communication, social structures and specific items may be examined for their compatibility. Extensive campaigns urging people to action are often planned without adequate attention to whether provision has been made for translating aroused motivation into action. One cannot successfully market the newest brand of toothpaste if there is no drugstore on the corner or if people have no spending money. ^{43/} The item, in other words, "requires" a certain distributional structure, and some structures are likely to be more compatible than others.

By the same token, campaigns to gain acceptance for an innovation often overlook the established distributional structures and the institutionalized custodians of certain skills. The division of labor in society provides for specialists of all kinds, and the introduction of a new item often requires the assistance of specialists. But thought

is not always given to the utilization or re-training of existing specialists and, thus, maximizing the use of existing resources while overcoming a major basis of potential resistance. Sometimes, of course, the existing specialists or distributional machinery must be superseded. Thus, the success of the paperback book in the United States was contingent on the utilization of a much more widely accessible distributional structure than was available through the bookstores. Indeed, the item "required" mass distribution, and so the bookstore was by-passed in favor of the newspaper stand, the drug store and the supermarket.

A similar point can be made, on a rather different level, about the compatibility between an entire program for technical change and its administrative locus within the socio-political structure. Most international programs of technical assistance are channeled through national governments. But where political leadership is volatile and civil service unstable, the minimal requirements of a technical assistance program for a measure of continuity both of personnel and procedure cannot be met. In his report on technical aid to Latin America, Glick analyzes the workings of the *Servicios*, the autonomous authorities created throughout Latin America for the bilateral administration of technical assistance. 44/

Apart from the division of labor and the structures for the allocation and distribution of resources in a society, items may also be more or less "compatible" with the structure of social relations in a society. The purchase and use of heavy farm equipment, for example, is irrational where farmers work small and scattered plots, except where there is (or can be developed) a tradition of cooperation. 45/ On the individual level, by the same token, one can identify those items which "require" early adopters who are well integrated or poorly integrated in their communities; this is the point of Menzel's analysis and it is also the point of both sides in the argument as to whether individuals of high status or of marginal status are more likely to try something new.

Summary

By this time, the discussion has almost come full circle. In a sense, that is, all that has been said treats of different dimensions of social relations and their influence on the acceptance of innovation. Restating the argument in these terms, this paper maintains that social relations condition the acceptance of innovation by virtue of their function (1) as anchorage points for shared values, (2) as units of adoption, (3) as networks of interpersonal communication, and (4) as allocators of differentials in social role, social control, and social support. These dimensions constitute basic elements, or variables, in the diffusion process.

It is argued, in sum, that the concept of compatibility may be as applicable to the relationship between a given innovation and the adopting unit, the communications channels, and the social structure, as it is to the relationship between an item and a system of values. And, given the difficulties of carrying out a systematic analysis of compatibility between items and values, it is suggested that the analysis of these other types of compatibility may prove even more useful to the practitioner. In part, of course, some of the same problems reappeared in the discussion of the other elements; for example, the need to reintroduce the point of view of the potential adopter was particularly apparent in the discussion of the matching of items and channels of communication. Yet, there is some basis for concluding that these other elements may lend themselves to simpler and more objective categorization, and they have the added advantage of being more directly observable than values. But, whether these elements are more or less important than values, or whether they are more or less accessible to the agency of change, matters less than simply calling attention to the fact that, like values, they may be worth viewing in terms of their compatibility with specific innovations.

- ✓ 1. For discussion of the characteristic emphases of these research traditions and others, see Elihu Katz, Martin L. Levin and Herbert Hamilton, "Traditions of Research on the Diffusion of Innovation," American Sociological Review, Vol. 28, No. 2, April 1963.
2. These are terms employed by Herbert Menzel in "Innovation, Integration and Marginality: A Survey of Physicians," American Sociological Review, Vol. 25, No. 5, October 1960. Menzel, in turn, draws on Ralph Linton's chapter on "Diffusion" in Study of Man (New York: Appleton-Century-Crofts, 1936), and on Homer Barnett, Innovation (New York: McGraw-Hill, 1953), and others.
3. See David E. Lindstrom, "Diffusion of Agricultural and Home Economics Practices in a Japanese Rural Community," Rural Sociology, Vol. 23, No. 2, June 1958.
- ✓ 4. See Margaret Mead, "Patterns of Worldwide Cultural Change in the 1960s," in Social Problems of Development and Urbanization, Volume VII of Series Science, Technology and Development: United States Papers Prepared for the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas. (Washington: U.S. Government Printing Office, 1963).
- ✓ 5. McKim Marriott, "Western Medicine in a Village of Northern India," in Benjamin Paul, ed., Health, Culture and Community (New York: Russell Sage Foundation, 1955).

6. Menzel, op. cit.
7. Divisibility is a term used in Everett Rogers, The Diffusion of Innovations (New York: The Free Press, 1962).
8. Barnett considers it impossible for an observer to classify items along these dimensions. The classification can be done only by the potential adopters themselves. See Barnett, op. cit., Chap. XIII.
9. Zvi Griliches, "Hybrid Corn: An Exploration in the Economics of Technological Change," Econometrica, Vol. 25, No. 4, October 1957; also see the note by the same author on "Congruence vs. Profitability: A False Dichotomy," Rural Sociology, Vol. 25, No. 3, September 1960.
10. This is a theme that runs through the work of American anthropologists on acculturation. The discussion here is based on a memorandum on "The Relevance of Anthropological Source Material for the Diffusion of Innovation," prepared by Herbert Hamilton.
11. See Florence Kluckhohn et al, Variations in Value Orientation (Evanston: Row, Peterson, 1961). Of course, the work of Talcott Parsons lends itself to cross-cultural comparisons of value orientations, particularly with respect to the continuum from "traditional" to "modern" orientations.
12. Ralph Linton proposes this approach as a solution to the problem that both items and cultures consist of many elements, some of which are, and some of which are not, compatible.
13. In his discussion of "Process Formation in Applied Anthropology," Robert A. Hackenberg complains that acculturation theory is a clinical "hodgepodge" because each study is conducted ad hoc. He notes, too, that acculturation studies initially derived from the early concern with diffusion in American anthropology. In Human Organization, Vol. 21, No. 4, Winter, 1962-1963.
14. Morris Opler and Rudra Datt Singh, "Economic, Political and Social Change in a Village of North Central India," Human Organization, Vol. 11, No. 2, Summer 1952.
15. Edward M. Wellin, "Water Boiling in a Peruvian Town," in Benjamin Paul, ed., Health, Culture and Community, op. cit.
16. John Cassel, "A Comprehensive Health Program among South African Zulus," in Benjamin Paul, ed., Health, Culture and Community, op. cit.

- ✓ 17. Saxon Graham, "Cultural Compatibility in the Adoption of Television," Social Forces, Vol. 33, No. 2, December 1954, and "Class and Conservatism in the Adoption of Innovations," Human Relations, Vol. 9, No. 1, 1956.
18. Barnett, op. cit., p. 344.
19. "The area of culture which would be most involved if the innovation were adopted may often hold the key to its acceptance or rejection....To the families in the sample, television is primarily a recreational device....Thus where their recreation is compatible with the kind of behavior associated with TV, acceptance is most apt to take place." From Graham, "Cultural Compatibility...", op. cit., p. 170.
20. Public Opinion Index for Industry, The Tastemakers (Princeton: Opinion Research Corporation, 1959). For a discussion of the design and implications of this study, see Reuben Cohen, "A Theoretical Model for Consumer Market Prediction," Sociological Inquiry, Vol. 32, No. 1, Winter 1962.
21. Examples of the use of these terms in research on the diffusion of the new farm practices may be found in Bryce Ryan and Neal Gross, "The Diffusion of Hybrid Seed Corn in Two Iowa Communities," Rural Sociology, Vol. 8, No. 1, March 1943; James H. Copp, "Toward Generalization in Farm Practice Research," Rural Sociology, Vol. 23, No. 2, June 1958; Everett M. Rogers and A. Eugene Havens, "Predicting Innovativeness," Sociological Inquiry, Vol. 32, No. 1, Winter 1962; and Bruno Benvenuti, Farming in Cultural Change (Wageningen: Van Gorcum and Co., 1961).
22. At least two recent studies have focused on the quality of having opinions -- regardless of their content -- as an index of a modern orientation. Both studies employ the number of "Don't Know" responses as an operational measure. In the case of Daniel Lerner, The Passing of Traditional Society (Glencoe: Free Press, 1959), the object was to measure the extent to which respondents were able to put themselves in another's place (empathy). Benvenuti's study, op. cit., insists that a modernized orientation is prerequisite to the modernization of farming. The components of this orientation, according to Benvenuti, are a relativistic outlook, emotional detachment in decision-making, a wider radius of action, participation in voluntary organizations, functional rationality, and a willingness to deviate from local norms.
23. See John W. Bennett and Robert K. McKnight, "Approaches of the Japanese Innovator to Cultural and Technical Change," Annals of the American Academy of Political and Social Science, Vol. 305 (May 1956).

24. Milton Singer, "Cultural Values in India's Economic Development," Annals of the American Academy of Political and Social Science, Vol. 305 (May 1956).
- ✓ 25. Bert Hoselitz, "Tradition and Economic Growth," in Ralph Braibanti and Joseph J. Spengler, eds., Tradition, Values and Socio-Economic Development (Durham: Duke University Press, 1961).
26. Indeed, studies that have traced the diffusion of more than one innovation through the same social structure have often found very low intercorrelations, i.e., adopters of one item are not necessarily more likely to be (early) adopters of another item. For example, see Eugene A. Wilkening, Joan Tully and Hartley Presser, "Communication and Acceptance of Recommended Farm Practices Among Dairy Farmers of Northern Victoria," Rural Sociology, Vol. 27, No. 2, June 1962. The highest intercorrelations were among the group of items that were related to profit maximization. Unfortunately, the index of good management developed by these authors proved to be unrelated to farm practice adoption.
27. See the special issue on fluoridation of the Journal of Social Issues, Vol. 17, No. 4 (1951), edited by Benjamin D. Paul, William A. Gamson and S. Stephen Kegeles.
28. Specifically, the diffusion process is defined as the spread of adoption of (1) a given item, (2) over time, (3) by units of adoption -- individuals or groups, who are linked (4) in a social structure, with (5) channels of communication, and (6) a system of values or culture. For a discussion of this definition and the "accounting scheme" for diffusion research which emerges from it, see Katz, Levin and Hamilton, op. cit. For a review of factor-analytic studies on new farm practices, see Rogers and Havens, op. cit. An early statement of relevant factors in the diffusion process is that of the North Central Rural Sociology Committee, "Bibliography of Research on Social Factors in the Adoption of New Farm Practices" (Ames: Iowa State College, 1955).
29. This point is made, in much the same form, in Elihu Katz, "Notes on the Unit of Adoption in Diffusion Research," Sociological Inquiry, Vol. 32, No. 1, Winter 1962.
30. Tom Sasaki and John Adair, "New Lands to Farm: Agricultural Practices Among the Navaho Indians," in Edward H. Spicer, ed., Human Problems in Technological Change (New York: Russell Sage Foundation, 1952).
31. Kurt Lewin, "Group Decision and Social Change," in Eleanor Maccoby et al, Readings in Social Psychology, 3rd ed. (New York: Henry Holt, 1958).

32. Lindstrom, op. cit.
33. A tradition of research on community decision-making has sprung up recently on the borders between sociology and political science. A sample of the vigorous methodological debating on this subject may be seen in the American Sociological Review, Vol. 27, No. 6, December 1962. The study of individual decision-making with respect to the adoption of new farm practices is reviewed in Eugene A. Wilkening, "The Communication of Ideas on Innovation in Agriculture," in Wilbur Schramm, ed., Studies of Innovation and Communication to the Public (Stanford: Institute for Communication Research, 1962).
34. For the roles of canals, churches, schools and stores in a particular communication episode, see M. Hanks and J. Hanks, "Diphtheria Immunization in a Thai Community," in Benjamin Paul, ed., Health, Culture and Community.
35. This hypothesis may need refining to take account of differing cultures. Evidence for the Soviet Union of a decade ago is presented in Raymond A. Bauer and David B. Gleicher, "Word of Mouth Communication in the Soviet Union," Public Opinion Quarterly, Vol. 17, No. 3, Fall 1953.
36. For example, see Wasudeo B. Rahudkar, "The Relationship of Certain Factors to the Success of Village Level Workers," Rural Sociology, Vol. 27, No. 4, December 1962.
37. See Wellin, op. cit., for mention of this possibility.
38. Gardner Murphy, In the Minds of Men (New York: Basic Books, 1953), reports on an Indian replication of the well-known study by Kurt Lewin which, apparently, found the lecture superior to the group discussion. The data, however, are not presented.
39. S. N. Eisenstadt, "Communication Systems and Social Structure: An Exploratory Comparative Study," Public Opinion Quarterly, Vol. 19, No. 2, Summer 1955; also see S. N. Eisenstadt, "Communication Processes Among Immigrants in Israel," Public Opinion Quarterly, Vol. 16, No. 1, Spring 1952; and "Conditions of Communication Receptivity," Public Opinion Quarterly, Vol. 17, No. 3, Fall 1953.
40. Charles Cleland, "Characteristics of Social Systems Within Which Selected Types of Information Are Transmitted," Rural Sociology, Vol. 25, No. 2, June 1960. Several studies have been carried out on the subject of where people go for information and advice on various matters of concern particularly in the realm of health and welfare.

41. Melvin DeFleur and Otto Larsen, The Flow of Information (New York: Harper, 1958).
42. For a discussion of the characteristics of the mass media in relationship to different sorts of farm practices, see Eugene A. Wilkening, "The Communication of Ideas...", op. cit. Wilkening also reviews research on the role played by the several media in the different stages of individual decision-making.
43. For a discussion of the importance of having mechanisms available for the implementation of motives aroused in communication campaigns, see G. D. Wiebe, "Merchandising Commodities and Citizenship on Television," Public Opinion Quarterly, Vol. 15, No. 4, Winter 1951.
- ✓ 44. Philip M. Glick, "The Choice of Instruments for Technical Cooperation," Annals of the American Academy of Political and Social Science, Vol. 323 (May 1959). Also see Philip M. Hauser, "Cultural and Personal Obstacles to Economic Development in Less Developed Areas," Human Organization, Vol. 18, No. 2, Summer 1959, for comments on the problem of the availability of trained personnel for implementation of technical programs in less developed areas.
45. Hauser, op. cit., discusses the difficulty of achieving the degree of cooperation required for certain development programs where a city or a nation is sharply divided among essentially isolated ethnic groups. Edward Banfield, The Moral Basis of a Backward Society (New York: Free Press, 1958), analyzes the tenacious familism and pervasive suspiciousness which prevents Southern Italian peasants from joining together in any sort of scheme for mutual benefit.

COMMUNICATING THE RESULTS OF THE UNITED NATIONS
SCIENCE AND TECHNOLOGY CONFERENCE

[Science and Technology for Development, Volume I, World of Opportunity, United Nations, New York, N.Y., 1963, viii and 267 pp., Sales No.: 63.I.21, clothbound US\$6.00, paperbound US\$2.90. French edition may be obtained from Dunod, 92 Rue Bonaparte, Paris. Spanish edition will be available shortly from Editorial Sudamericana B.A., Alsina 500, Buenos Aires.]

During the preparation for the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas in February 1963, the UN Secretariat was confronted with the problem of finding the most effective means of communicating to people throughout the world, and particularly in the developing countries, the immense volume of information and ideas which would be generated by the Conference. Nearly 2,000 papers prepared by experts for the Conference contained over 10 million words; it was anticipated that the record of the 93 Conference sessions held during a three-week period might contain an equal number. Normally, the UN publishes the papers and proceedings of its conferences. But in this case, the volume was likely to be so great, the variety so wide, and the subjects discussed so technical that the time and cost of editing and printing the papers would be inordinately great, and the resulting avalanche of publications might be in large part unreadable except by the experts in each field. Yet, if no more satisfactory way of preserving and communicating the results of the Conference could be found, an immense body of valuable information and insights would be unavailable.

In the circumstances, the UN decided to deviate from its usual practice and to prepare a synthesis of the Conference papers and proceedings in non-technical language which would be both interesting and informative to as wide a readership as possible. The result of this effort is now being published by the UN in a series of eight volumes.

The first, entitled World of Opportunity, was written by Ritchie Calder, Professor of International Relations at the University of Edinburgh, and presents a summary account of the main ideas and findings of the Conference with respect to the human and material resources of the planet available for development; the knowledge and methodology that can be applied to the task; the existing and prospective contributions of the physical and social sciences and technologies to agriculture, industry, health, education, and other development fields; and the organization and coordination of the national and international programs and projects now under way or required. The result is an attractive, highly informative, and eminently readable book. Six subsequent volumes will deal respectively with natural resources, agriculture, industry, people and living, education and training, and science and planning. A final volume will contain the plenary proceedings, a complete list of Conference papers and reports, and a comprehensive subject index of the entire series.

These volumes are being prepared by a UN editorial staff with the advice and assistance of a distinguished multinational Editorial Advisory Committee. Volumes II through VIII will be published in English this April. Publication dates for the French and Spanish editions are not yet available. Following are the titles and prices:

Volume II. Natural Resources

Sales No.: 63.I.22, clothbound US\$7.50, paperbound US\$5.25.

Volume III. Agriculture

Sales No.: 63.I.23, clothbound US\$8.00, paperbound US\$5.50.

Volume IV. Industry

Sales No.: 63.I.24, clothbound US\$7.50, paperbound US\$5.25.

Volume V. People and Living: Population, Health, Nutrition, Rural Development, Urbanization

Sales No.: 63.I.25, clothbound US\$7.00, paperbound US\$5.00.

Volume VI. Education and Training

Sales No.: 63.I.26, clothbound US\$7.50, paperbound US\$5.25.

Volume VII. Science and Planning

Sales No.: 63.I.27, clothbound, US\$7.00, paperbound US\$5.00.

Volume VIII. Plenary Proceedings, List of Papers and Index

Sales No.: 63.I.28, clothbound US\$9.00, paperbound US\$6.50.

Copies of the individual papers presented at the Conference, in the form submitted by the contributors, will be available until the end of 1964. They comprise the following:

- (a) Papers submitted to General Sessions and the reports of the Conference Secretary-General and of the Rapporteurs covering these papers and proceedings are available in English, French, Spanish and Russian;
- (b) Papers contributed to Specialized Sessions are available only in the original language of submission. However, the report of the Conference Secretary-General on the papers contributed to the Specialized Sessions and the reports of the Rapporteurs on the proceedings of these sessions are available in all four Conference languages.

The charge for each of these papers is US\$0.25, but they will normally be available in folders covering each session of the Conference. The price of the folders will, of course, vary according to the number of papers presented to any given session. A fully indexed list of papers, bearing the symbol E/CONF.39/INF.3 is available at a cost of US\$1.50, in each of the Conference languages.

Purchases may be made through the Sales Section, United Nations, Palais des Nations, Geneva, Switzerland.

SURVEY OF WORLD COMMUNICATIONS

World Communications: Press, Radio
Television, Film; Paris, UNESCO,
1964, 380 pp., clothbound US\$11.00,
paperbound US\$8.00.]

This UNESCO report is a comprehensive world-wide survey of the existing communications media -- press, radio, television, films -- and their growth trends over the past decade. It is of particular interest because it presents in a single publication up-to-date statistics on these communications media for both the developed and the developing countries; country-by-country information is given on existing communications facilities in 200 nations and territories. In addition, the survey describes the latest technological developments affecting communications media and assesses their probable impact over the next decade. Pictographs present information on communications throughout the world and their growth since 1950. Two appendices contain a listing of news agencies and a brief selected bibliography.

DEVELOPMENT PLANNING

DIFFICULTIES OF DEVELOPMENT PLANNING AND SOME REMEDIES

Everett E. Hagen

[From Planning Economic Development, edited by Everett E. Hagen, a study from the Center for International Studies of the Massachusetts Institute of Technology; Homewood, Illinois, Richard D. Irwin, Inc., 1963; pp. 346-360. Clothbound edition, U.S. price \$10.60, foreign price US\$7.50; paperbound export edition, US\$3.50 f.o.b. Homewood, Illinois.]

Excerpts from
the book
begin on the
next page.

[Most of this book consists of separate chapters on the development planning experience and problems of Burma, India, Iran, Japan, Mexico, Nigeria, Pakistan, the United Kingdom, and Yugoslavia. Each chapter was written by an expert with considerable first-hand knowledge of development planning in the country concerned, often acquired as an adviser to the government. Professor Hagen contributes an introductory chapter on the aims and tools of development planning, and a concluding section containing chapters analyzing the lessons of the country studies for good planning and for remedying some of the main difficulties that have characterized the planning experience of the less developed countries. Following are excerpts from the final chapter of this section.]

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In some instances where difficulties have appeared, even though the planning organization and procedures were reasonably well designed, the cause has simply been lack of competence on the part of top planning officials or lack of adequate engineering and economic analyses. These cases illustrate the fact that, regardless of organizational excellence, essential ingredients in effective planning are competent, dispassionate, informed judgment based on an adequate technical analysis.

Waste of resources has also been due in many instances to attitudes and motives so deeply rooted that no form of organization and procedure for development planning would have prevented it. Indeed, planning procedures which tended to call the actions into question would probably have been altered. The compulsive desire of leaders in some countries for a symbol of modernity, such as a steel mill or a nuclear reactor, is so intense that they are impervious to analysis which shows the project to be economically burdensome. Or, where the mores of the culture permit personal enrichment of political leaders from public funds, plans inconsistent with that purpose would be overridden. Simply to label the problem "corruption" prevents a full understanding of the difficulty. To many elite individuals in societies in which traditional relationships still hold sway, it would be immoral not to advance the welfare of one's family, broadly defined, when one can do it at no cost except possible indirect future loss to a distant mass of nonelite persons.

However, except in such extreme cases, planning organization and procedures which clearly bring up for consideration the consequences of possible alternatives are likely to lead to advantageous decisions. This chapter asks: What difficulties have led to defective results? Apart from the simple but basic prescription of involving competent and devoted men in the work, how many countries entering upon planning seek to maximize the effectiveness of their planning? Various possible sources of difficulty are considered in turn.

Relationship of the Planning Agency to the Chief Executive

The planning agency may be ineffective because of a lack of a policy-influencing relationship to the chief executive. A planning agency is of only limited service to economic development if it is detached from the other machinery of government; it is hardly more than a facade behind which the actual operations of government proceed little influenced by the agency's work. The planning agency must be a part of the operational machinery of government if it is to be very useful.

Another difficulty which may arise in the relationship of the planning agency to the chief executive and other top governmental officials is the failure of these officials for long periods to turn their

attention to planning matters and reach decisions concerning development goals and policies. Unless a prime minister is willing to delegate authority to make important policy decisions to a deputy, and the deputy is willing to accept the authority, there is no organizational remedy for these difficulties. The planning agency obviously can neither make final decisions with respect to important matters of national policy nor act in the absence of such decisions.

A somewhat contrasting difficulty -- the close identification of the planning agency with the policy aims of a chief executive -- may occur so that, if a competing political party gains power, the planning agency is discredited as a tool of the defeated leader. The planning agency must necessarily relate its analyses to the policy goals of the political head of the country. However, if a clear distinction is made between the planning agency's policy views and its technical analyses, any new administration which believes in economic development will be able to use the planning agency with confidence, whatever the change of views on more specific policies. If an administration not interested in planning for economic development comes to power, then the effectiveness of the planning agency will decline. No organizational or procedural arrangement can prevent that.

Need for Budgetary Controls

One of the frequent difficulties in development planning is that budget control of the sort needed for effective coordination of development programs is rejected by the heads of ministries and operating agencies.

In many low-income societies, the budget office has traditionally been concerned only with economy in the small. The functions of government have been mainly caretaking rather than developmental. Each minister has decided, in consultation with the chief executive or the political leaders of the country, what the activity of his ministry would be, and each has regarded any control over his policies as unwarranted and offensive. The heads of government corporations or autonomous agencies have acted similarly; insofar as the operating funds or profits of the agency would permit, or other funds could be raised, each has decided his investment policy more or less autonomously. Where such a tradition exists, each minister has resisted checks on his actions even by his peers, the other ministers. His resistance has been especially instinctive and automatic where the attempt at control or review has been by officials of less than ministerial rank, for example, by a planning staff.

The source of the difficulty is that in a nondeveloping society, in which inherited or ascribed position rather than position based on achievement is the major factor determining status, the possession of

authority has a significance qualitatively different from that elsewhere. Authority is a mark of one's rank, one's eliteness, and to suggest that one should give part of one's authority to a peer, and especially to a person of lower rank, is demeaning; it is not unlike accusing a public official in a Western society of having stolen public funds.

One remedy for this situation is to attach the planning agency to the office of the chief executive. To invest review of development programs with the prestige of the prime minister may help in some small degree to make it possible for agency heads to cooperate in the process. The danger exists that planning agency officials may seek to decide planning policy by virtue of their authority rather than through a process of discussion of the relative advantages of alternative possibilities. Even if their authority carries the day, the result will be to choke off the prospect of effective cooperation in the execution of programs. The remedy for this tendency must lie in the selection for planning functions of individuals with personalities most conducive to nonauthoritarian methods of settling problems.

A second possible measure to prevent resistance to budget control is, so far as possible, to evaluate programs and projects at staff levels before ministers or agency heads formally commit themselves to them. The degree to which this can be done is limited, for an agency head to whom not sharing his authority is especially important is apt to impose policies upon his staff rather than base his decisions on their judgments. However, insofar as the postponement of formal decisions is possible, it may alleviate the problem.

Need for Coordination

In a number of instances, the planning of development programs limps because some operating agencies fail to enter effectively into the process. The project proposals they present are so inadequately analyzed or prepared that it is impossible to determine the cost of each project, the benefits it will yield, or the time it will require to execute. Such agencies are apt to be especially deficient in recognizing adequately the need for projects required by expanding activity in other sectors of the economy or required to complement projects in other sectors of the economy. They may also exercise inadequate initiative and responsibility in considering the impact on development of regulatory or other policies.

The cause usually lies deeper than mere absence of technical capacity within the agency. Technical capacity can be increased wherever the will to do so is strong. If too few well-trained and competent technicians are available within the society, it is possible to employ foreign individuals, to obtain technical aid from international

agencies, foreign governments, or private foundations, to conduct intensive training programs, and also to use various other devices. The failure is often due to lethargy within the agency, which is related many times to the traditional attitude toward authority mentioned above. Positions in the civil service hierarchy may be important to the persons holding them primarily because of the status conveyed by the positions themselves and not because of the functions performed. Moreover, the attitude of each staff member toward authority may be such that he does not presume to make decisions except in routine matters not involving even petty matters of policy. Where these attitudes exist not only is there no incentive to formulate new proposals; there are important disincentives, for to do so involves actions which seem rather dangerous. These considerations explain an inertia that is sometimes found, which is otherwise both baffling and annoying to individuals attempting to foster development.

If the agency head has the traditional attitude toward authority he may be reluctant to introduce into the agency new personnel of a different temperament, for the actions of individuals with more initiative would, from his viewpoint, threaten his authority and status. (He may be agreeable to employing foreign experts since their presence under him may enhance his status, but they may become merely an adornment which does not materially influence his actions although they do the technical preparation of projects he selects.)

Planning agencies encountering this inertia have often found it necessary to engage technical experts as members of their own staff, and then to perform the project analysis, selection, and preparation which should be the functions of the operating agency. This remedy is the only one in some circumstances. However, it is far from ideal because it leaves operating agency officials with less interest in the project than if they had explored and planned it, and it leaves the agency without the technical capacity to execute the project effectively. Where the planning agency finds this device necessary, the establishment of a working group for the sector, in which staff members of the planning agency and of the operating agency unite in the analysis, is desirable. Analysis within a working group is bound to infect the functional agency staff members with some change in viewpoint and to influence their operations at least to a limited extent. Except in the most traditional individuals, the demonstration that a function which they might perform is being taken from them has a prodding effect, even though often a rather limited one.

If the agency head has a different temperament, or if the political realities and the temperament of the chief executive or the political leaders of the country permit replacing the agency head by an individual more favorable to the exercise of initiative by his subordinates, the problem is less difficult. The optimum solution is to leaven

the entire agency. However, this may not be possible for political or administrative reasons. It may be necessary instead to use the expedient of creating a planning group somewhat detached from the other units of the agency lest the bureaucratic attitudes within the agency smother action. This device leaves the agency as a whole less interested in development and less capable of carrying out development projects than it would ideally be. It may then be necessary to create new units or autonomous organizations to execute new projects. The objections to this are evident from the previous discussion but, where the problem of traditional staff attitude is extreme, no better remedy may be available than the use of these two devices.

Even if an agency is more alert, however, coordination between its development planning and that in other sectors may be deficient because adequate machinery for coordination has not been created. In a nondeveloping, low-income society, the need for deliberate actions to obtain coordination in the planning of various functions of government is minimal; coordination is achieved by the mere continuance of routine activity. A development program brings a need for intersector coordination of a type previously neither known nor needed. Development planning which lacks adequate arrangements for such coordination sometimes fails to take into account the need for actions by one government agency to complement the proposed actions of another. Perhaps this failure occurs most frequently with provisions for manning and maintaining development projects.

The planning of government programs sometimes fails also to take adequate account of the complementary relationships between government and private activity. On occasion, an assumption seems to be made that private enterprise if given adequate play will accomplish economic growth with little more aid from the government than the maintenance of a basic institutional framework and prohibitive tariff protection. To persons with this attitude, little foresight may seem necessary concerning the relationship of government services or government expenditures to the efficiency or the level of private production.

Coordinating machinery of several types is needed to minimize these planning deficiencies. The importance of creating working groups during the planning process and of arrangements for coordination between the annual development programming and budget procedures have already been discussed. In addition, it is desirable to create ad hoc staff relationships among agencies dealing with sectors in which there are complementary relationships as soon as the existence of such relationships is foreseen. The problem of obtaining adequate coordination of transport, communication, power, and urban services and some types of training with the activities of other sectors is especially complex. The planning, engineering design, contract letting, and construction of transport, communication, power, and urban facilities projects

typically involve at least several years, so that the requirements must be anticipated at least this long in advance. The training of technicians may require an even longer time. Moreover, the relationships between transportation, communications, and power, on the one hand, and the expansion of all the other sectors of the economy, on the other, are so extensive and diffuse that the requirements can be analyzed only by the agency concerned with the economy as a whole. The planning agency itself must have staff assigned to the continuing analysis of these "structural" relationships. The specific planning as well as choices among types of transport and communication facilities and types of power sources should in large part be done by the relevant functional agencies, but the planning agency is in the best position to guide the time pattern of development of these facilities. A working group is needed; it should include general economic analysts from the planning agency staff as well as specialists and members of the functional agency staffs.

Need for Realistic Assumptions and Analysis

Such arrangements will provide only in part for adequate analysis of complementarities among economic sectors. A further requirement, and especially for the relationships between private and government economic activity, is competency in analysis of the economic system as a whole by the research staff of the planning agency. Two types of such analysis by the planning agency are needed: so-called aggregative analysis and structural analysis. Both types are uniquely planning agency functions. If the planning agency performs them competently and gives the results in nontechnical form to the officials responsible for the final policy decisions, then the planning procedure can do little more. However, here as elsewhere, the deftness with which planning agency officials portray the implications of policy may have considerable influence on the results.

Planning is sometimes less than optimal from a purely economic point of view because bargaining among political groups leads to decisions based on considerations other than the economic welfare of the country as a whole. One would not be justified in stating that the resulting decisions were necessarily less than optimal when measured against the entire set of goals of the nation. A geographic allocation of development expenditures which results in less income or employment than some alternative allocation may nevertheless satisfy a widely felt sense of equity and thereby, when all considerations are balanced, be optimal. If projects help bind the nation together, in the scale of national values the increase in national unity may more than compensate for the economic loss.

However, if decisions suit the purposes of sectional political leaders rather than those of the population as a whole, they may be

less defensible. When such noneconomic considerations enter, planning must make the economic results of alternative programs as clear as possible so that choices may be made by political leaders with clear knowledge of the costs as well as the benefits of the alternative lines of action. Moreover, the planning organization and procedures must include provisions for the necessary political bargaining so that a plan arrived at will be politically viable.

A consideration of an entirely different sort which often interferes with efficient project analysis is that wage, interest, and foreign exchange rates in the country may not reflect the true scarcity of labor, capital, and foreign exchange respectively. Conventional (and perhaps entirely desirable) minimum wage rates may exist and, at the same time, many unemployed members of the labor force may be supported by government funds at a cost equal to, say, one-half the minimum wage rates. If so, since employing them on a development project would have a net cost equal to only one-half of the minimum wage, analysis of the desirability of the project ought to reckon the cost of labor not at the market wage rate but at only one-half as much. Or, a project might draw surplus laborers from farms, so that in addition to the benefit received from wages earned in the new employment, the farm family from which they were drawn will receive the benefit of having a higher per capita income for the reduced number of family members. Thus the true benefit to the nation will not be realized if the analysis merely compares the direct benefits from the new project with the wage cost of executing it.

With respect to capital similar considerations apply. If the government can borrow funds at a moderate rate of interest (say, from foreign aid agencies or because the country's banks are under pressure to take shares of a government bond issue), the planners may judge a project advantageous if it will yield a net return above the cost of capital reckoned at this rate of interest. However, if there are more good potential projects, public and private, than can be executed with the total amount of capital available to the country, the total amount of capital available could be invested in projects the least advantageous of which would yield a return equal to twice the moderate rate of interest at which the government borrows. The true cost of any project, then, is the benefits which might be obtained from some alternative project, and no project should be considered advantageous which does not yield a rate of return twice the market rate for government bonds.

Foreign exchange virtually always becomes so scarce when a country begins economic growth that it must be rationed unless the country devalues the currency markedly. In this case, the true cost of any public or private development expenditure using foreign exchange is the benefit lost by not executing alternative projects. If potential projects are arrayed in order of their benefits, the poorest that can be

executed with the available supply of foreign exchange might be one which could afford to pay, say, 50 per cent more than the market rate for the foreign exchange it uses. If so, choice of any less advantageous project entails a loss for the country.

If such considerations are ignored and projects are evaluated solely on the basis of the market rates of wages, interest, and foreign exchange, projects may be chosen which will be much less advantageous to the nation than would alternative ones. Specifically, projects which use much capital, much foreign exchange, and little labor relative to others may be chosen, whereas if projects are chosen which use more of the nation's surplus labor and less of its relatively scarce capital and foreign exchange, a larger number of advantageous projects could be executed and economic development would be advanced further.

A reduction in wages and an increase in interest and foreign exchange rates would cause investors to plan projects which use more labor and less capital and foreign exchange. One way of eliminating less advantageous projects is to estimate how much wages would have to be reduced and how much interest and foreign exchange rates would have to be increased to induce employment of all the country's underemployed workers and to eliminate the excess demand for capital and foreign exchange; and then to use these rates of wages, interest, and foreign exchange rather than the market rates in evaluating projects. Projects using much capital and foreign exchange and little labor will appear more expensive relative to other projects at these estimated rates than at the market rates, so that many of them will be eliminated.

This process of estimation is a rather technical one. It is discussed here merely because nontechnical students of development ought to be aware of the problem. The estimated rates of wages, interest, and foreign exchange are termed "shadow rates." Their estimation is of course subject to a large margin of error. But in many countries, since simple common sense indicates that the shadow rate of wages is below the market rate, the use of shadow rates somewhat below the market rate in the case of labor and above it with respect to capital and foreign exchange will give improved decisions even though the estimation of the shadow rates is far from perfect.

All the calculations should take into account the benefits or costs of projects other than those reflected in direct financial benefits or costs. Thus, the large indirect benefits of education must be considered. If an industrial project will train skilled workers, some of whom become available for other work, this benefit should be weighed along with the direct financial benefits. If a lumbering project will cause erosion which destroys farm land, this potential destruction must be considered as a cost. Weighing these "external economies and

diseconomies" of projects is an important part of the planning process. It is a matter quite separate from the use of shadow prices and is mentioned here only to avoid misunderstanding.

Need for Effective Progress Reporting

Even where reasonably effective planning machinery exists, poor implementation may nullify the good planning. Shoddy performance in the execution of projects has been common, and effective review and evaluation of progress have been rare.

Failure of operating agencies to report may be caused simply by administrative inefficiency, but underlying this may be traditional reluctance on the part of each agency to have other agencies check on its work and thereby imply its authority is not unqualified in its own sphere. In the absence of pressures from the top and a general toning up of administration, remedy may not be possible. In some cases, only after lack of current knowledge of project progress has caused conspicuous difficulties has it been possible to obtain improvement.

Periodic progress reporting with a minimum time lag is essential for good planning, since either a lag or an acceleration in the completion date of any development project will affect other projects, current expenditures to operate the projects as they are completed, and the government's revenue and expenditure expectations. Reporting on projects being executed by any operating agency should be supervised by that agency since direct supervision by the planning agency would interfere with the work of the operating agencies and create undesirable frictions. However, brisk and imaginative central supervision of progress reporting can make a marked difference in the tone of the entire development program. It is important that the planning agency carefully prepare reporting forms and a time schedule for their use, both to minimize the work of reporting, and thus the likelihood of resistance, and to increase the usefulness of the reports obtained.

As described in a letter from Professor Clair Wilcox to the writer, the machinery devised in Malaya for checking on the progress of one part of the development program -- that relating to rural development -- provides an example of imaginative and effective administration. More than one-half of the government's development expenditures in Malaya are to be in the rural areas. Since rural development expenditures are carried out within a single ministry, what is described is an intraministerial operation rather than an arrangement by which top officials reach into a ministry from the outside.

There is an operations control room in Kuala Lumpur, one in each of the eleven states, and one in each of the ninety districts. In the

room in Kuala Lumpur, wall-size maps on rollers show the location of every project of every type in the country: schools, health centers, roads, water works, power plants, land development projects, etc. There is a big red book for each district containing a map with transparent overlays showing the location of each of the projects of each type within the district. There are other means of visual presentation, such as slide and movie projectors, transparencies, hinged wall charts, etc.

To keep track of progress on projects, there is a small red book for each district, with pages showing each type of project in each village. Here, there are squares in which the programmed progress for each item for each month is shown in the upper left diagonal and the actual accomplishment for the month is recorded in the lower right diagonal -- in black if it is up to the plan, in red if it falls short.

The Deputy Prime Minister heads the Ministry of Rural Development. He keeps his finger on this nerve center. Whenever he sees red ink on any item in the red books, he calls up the responsible officer and demands an explanation. He visits each district at least once, some of them several times, a year. Here he reviews the progress on the entire program. Wherever there are shortcomings, the causes are discussed and responsibility assigned. All these conversations are taken down on a tape recorder. If an official continues to be delinquent, his earlier promises can be played back to him in his own voice.

Program implementation in Malaya is now discussed in terms of "operations room" and "red book." There is no precedent or parallel for this undertaking. Its fame has spread throughout Southeast Asia. It affords a model that other developing countries might well undertake to copy.

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IMPORTANCE AND SCOPE OF LONG-TERM PROJECTIONS
IN DEVELOPMENT PLANNING

[From Problems of Long-Term Economic Projections,
with Special Reference to Asia and the Far East;
Report of the Third Group of Experts on Programming
Techniques, Economic Commission for Asia and the
Far East; United Nations, New York, N. Y., 1963,
Sales No.: 63.II.F.6, US\$1.00; pages 1-6 and 86-88.]

[This is the third report in the Development Pro-
gramming Techniques Series prepared by groups of experts
for the UN Economic Commission for Asia and the Far East
(ECAFE). The two preceding reports are Programming Tech-
niques for Economic Development, with Special Reference
to Asia and the Far East, 1960 (UN Sales No.: 60.II.F.3,
US\$1.00), and Formulating Industrial Development Pro-
grammes, with Special Reference to Asia and the Far East,
1961 (UN Sales No.: 61.II.F.7, US\$1.50).

This report explains the nature and purposes of
aggregate economic projections; the methods of taking
into account the strategic components of aggregate pro-
jections; the financial variables involved; and the
problems of ensuring consistency among the components
of national projections and among the countries of the
ECAFE region as a whole. A concluding chapter summa-
rizes the main findings of the detailed analysis and
presents recommendations for improving the methodology
of preparing and using long-term economic projections
in development planning.]

These are
excerpts
from the
report.

The need for accelerating the growth rate has been
recognized by all the countries in the ECAFE region,
and their economic policies are being oriented towards
an early realization of this objective. To help organ-
ize their efforts in this direction, nearly all the
ECAFE countries have formulated development plans or
programmes which are used as guides to policy. As

might be expected, there is a wide range of variation in the nature and detail of these plans, deriving from differences in political structure, stage of economic development, factor endowments, availability of statistical material, and so forth. But, they are all centered on attaining a substantial increase in national income, enlarging the opportunities for gainful employment, and achieving major alterations in the production structure.

Need for Long-Term Projections

The majority of the plans formulated by the ECAFE countries to achieve these objectives cover periods of three to seven years. It is only in the case of Indonesia and Japan that existing plans relate to longer periods. While the relatively short span of these plans may enhance their utility for operational purposes, it also imposes certain limitations on the measure of change that can be aimed at and the means that can be adopted. Many of the structural modifications which it is sought to achieve through planned effort can in fact be carried out only over periods much longer than five or seven years. This remains true no matter how structural change is defined -- whether in terms of the relative contribution of agriculture, manufacturing industry, etc., to the national product, or in terms of occupational and income patterns, or of external trade and payments relationships. Because the lead time involved in these transformations is long, the typical five-year period chosen for operational plans cannot take into account all the alternatives that may be open to an economy -- unless the short-term plan is conceived as part of a long-term or perspective plan.

When the development problems of a country are viewed against a long-term perspective, the task of programming becomes simpler in some respects and more difficult in others. It becomes simpler because many of the constraints and bottlenecks that affect policy decisions in the immediate future can themselves be viewed as elements alterable through systematic effort over a period of two or three decades. One consequence of this is that some of the conflicts between objectives that seem to arise in a short-term plan resolve themselves into a matter of ordering their position along a time-scale. For instance, it could well happen that the investment programme most appropriate to an enlargement of the modern industrial sector does not, within a short period, create enough opportunities for employment of all the surplus labour in the economy; it might then seem that the objectives of industrial change and maximum absorption of surplus labour are in conflict with each other. But, this difficulty arises largely from the fact that a large part of the effect on employment associated with such an investment programme becomes manifest at a later stage and therefore does not form part of the benefits which accrue in the short period. Similarly, the set of policy measures conducive to the attainment of the highest growth rate may, in a short period, seem incompatible with those relevant for reducing income inequalities or dependence on external assistance. Such apparent conflicts

between objectives or policies merely reflect the different time-lags necessarily involved in the achievement of specific goals.

In other words, when the development of the economy is projected over a sufficiently long period, it is possible to get a better idea of the structural changes that can or ought to facilitate the most rapid advance towards the basic objectives. However, the fact that some of the elements which may be treated as given from outside in a short- or medium-term plan cannot be considered as invariant in the long run introduces additional uncertainties which will have to be taken into account. Obviously, the longer the period chosen for projections, the greater will be the area of uncertainty and the more difficult the task of setting limiting values on economic magnitudes or of defining the policy variables. In practice, therefore, it will be necessary to work in terms of a "reasonable" time period for the long-term programmes.

What constitutes a reasonable time period for such formulations is itself a matter for careful consideration. Clearly, it has to be considerably longer than that of the current plans adopted by the country, since the entire purpose of the exercise is to set the perspective for such plans. In certain areas, such as population, labour force or education policy, it may be necessary to think in terms of twenty-five or thirty year projections. But it is exceedingly difficult to impart any degree of precision to the evaluation of parameters in other fields over so long a period. One cannot anticipate in an adequate measure the technological changes which might influence production activities, or the price variations which might affect consumption, or the changes in income distribution which might influence saving during periods of several decades. It will, therefore, be necessary to take a time period which, while giving enough scope for large-scale structural changes, does not at the same time render the application of valid projection techniques unduly difficult, if not impossible. In general, it will be advisable for countries to relate these long-term projections to the time-span of two or three of their current plans. This would mean, in effect, that the long-term projections should extend from fifteen to twenty years.

Characteristics of Long-Term Projections

There are certain general aspects of the problem of long-term projections to which attention may be drawn.

The first and most important point to be borne in mind in working out long-term projections is that they have to serve as aids to systematic long-term planning or programming. For this reason, "projection" has to connote something more than a simple extrapolation of historical trends. Since the main objective of economic policy in developing countries is to change the direction of these trends, extrapolation based on coefficients or structural relationships derived from time-series will not be adequate. These might, in some cases, be useful as indicators of the position the

economy may reach if it is assumed that there will be no changes in policy or that the exogenous influences will remain unaltered. In this sense, such extrapolations also involve implicit judgments regarding future policy or consistency in relationships. But, these judgments would not be such as to give an idea of the range of desirable and feasible rates of growth in respect of the magnitudes concerned, and it is such a preview of the future that planners need.

This means, in effect, that long-term projections should seek to indicate the spectrum of possibilities which could be associated with given or anticipated changes in policies and structural relations. They have, therefore, a purposive element, and this makes them more than usually difficult to handle. In most developing countries, the paucity of reliable statistics is another major material obstacle to the exercise.

Despite these practical difficulties, however, attempts have to be made to set out the perspective as clearly as possible, so that policy decisions for overcoming obstacles and realizing the long-term growth potential are facilitated. Some of the difficulties arising from inadequacy of historical data can be overcome through the use of cross-section data or international comparisons. Some of the others can only be remedied by combined efforts on the part of the countries concerned to enlarge and systematize the flow of statistical and other information. This is a matter which is already being pursued by the governments of the developing countries as well as the United Nations agencies, and we would only reiterate here the importance and urgency of action in this direction.

When long-term projections are used for the purpose of clarifying intended or desirable patterns of change they have to be based to a greater or lesser extent on certain normative judgments. As has been indicated earlier, such projections have to allow for possible changes in the coefficients or structural parameters derived from past data. In so far as changes in these magnitudes can be brought about through policy measures by government, each of the assumed changes in coefficients will be related to specific types of policy constraints. For instance, the trend that might be imposed on domestic savings through the assignment of a certain value to the saving/income ratio would be valid only when the policy measures affecting the savings propensities of different sectors in the economy are specified and can be regarded as likely to have the intended effect. It also works the other way round, in the sense, that when a value is assigned to the saving/income ratio, it implies certain constraints on policy. It follows therefore that, in making such projections, a number of judgments on the objectives of policy are involved, and these have to be identified.

The nature and extent of such judgments vary with the particular magnitude projected, and with the policy assumptions or constraints which are, prima facie, relevant to it. They also vary with the measure of disaggregation involved, the techniques which may be used, and the statistics

which may be available from within the country or outside. We need only make a note here of the general point that in attributing values to governing elements in the long-term projections, it is necessary to bear clearly in mind their relationship to the policy variables.

The second point which derives from what has been said above is that the particular long-term projections which have to be made for different sectors or economic magnitudes should all be recognized as interdependent within any one model. This is essential, not only because changes in each of them is influenced by others, but also to ensure that policy assumptions are mutually consistent. What is needed is not a large number of independent projections, each with its own policy or feasibility conditions. To be useful in planning, all of them have to be articulated within the framework of some clearly defined set or sets of assumptions regarding policy constraints and exogenous factors. The projection corresponding to each such set of assumptions would then indicate the alternative patterns of development open to the economy, from amongst which a choice has to be made. What these ought to be is a matter of judgment in each country and for each period. Quite obviously, the basic assumptions appropriate for projections in a centrally planned economy would not be so for a "mixed economy." Similarly, it matters a great deal whether or not exports account for a large proportion of the national product. These elements will have to be recognized as common to all projections. Likewise, when the principal objectives of planning are set in terms of the entire economy, they become relevant for all projections. Consequently, it will be necessary to check all the projections for mutual consistency. This will be possible when the aggregative framework is itself clearly set out and lays down the procedure for distinguishing target variables, structural coefficients, policy instruments, and random or exogenous elements in sufficient detail.

In stating the long-term choices open to an economy, it is necessary to recognize that there may also be alternative paths for attaining each of the specified sets of terminal objectives. This is a matter to which careful consideration should be given, in order to facilitate judgments regarding the optimum time-path for the different magnitudes relative to their final positions. It is through such specifications that the link between the projected long-period programme and the operational short-period plan is to be established. In respect of the aggregative framework as well as of sectoral long-term projections, it would therefore be necessary to clarify the intermediate positions which would be consistent with particular values of target variables posited for the end of the projection period.

In general, the practical use made of projection techniques in the ECAFE countries is determined partly by the nature of the plans they have adopted and partly by the extent and reliability of statistical data available to them. Countries such as India which have sought to evolve national plans have in the process developed an awareness of the

statistical requirements for planning and are taking steps to improve both the quality and quantity of available data. Where planning is still restricted to a programme for public expenditure, it is likely that the effort devoted to the improvement of statistical data will be inadequate. In actual fact, partial planning requires more rather than less of projections, inasmuch as the uncontrolled elements in the economy will be more numerous than in a totally planned country. Such projections will also serve an essential function in providing private business with the aggregative magnitudes required in their decision making. Hence, it would be incorrect to assume that the need for projections diminishes when the scope of plans is reduced.

Scope of Long-Term Projections

For most of the countries in the ECAFE region, an image as concrete as possible of the path which their economy may follow in the next ten to twenty years and of the structure of their economy at the end of that period is a necessity if the governments are to follow consistent and rational policies of economic development and planning; if the private sectors are to make their own decisions intelligently; and if economic co-operation and co-ordination among the countries of the region are to be pursued successfully.

Long-term economic projections should be directed primarily towards an evaluation of the effects of alternative probable developments rather than towards laying down a single pattern of development that is regarded as the one most likely or the most desirable. The primary purpose of these projections is to provide a test of the consistency and feasibility of alternative combinations of market forces and of government policies.

An appropriate long-term economic projection can only be developed, it seems to us, by an iterative process. It may start with a few broad objectives which will generally be determined in each country by political considerations, such as a certain rate of growth in real output per head; high levels of employment; limitation of foreign investment or aid to a predetermined level; reduction of income inequality among sectors and regions. From here on, however, economic and statistical techniques may be used to determine in increasing detail what values for relevant economic variables are compatible with the objectives to test whether these values are consistent with each other, and to check whether they are within reach, given the country's land, labour and capital resources and the possibilities of increasing them through domestic efforts or importation from abroad. At the present stage of knowledge, there is need for models which allow considerable scope for the exercise of judgment on the part of the estimator regarding the range of possibilities to be taken into account and the variability of possible reactions of the economy. To ensure internal consistency in

such judgment models, they must use a national accounting framework. To facilitate comparison among countries, this framework should be standardized.

The formulation of long-term economic projections is necessarily a continuous process which should not be restricted to any one single statistical technique. The projections originally made must be revised as new information becomes available about relevant developments within and outside the country, as assumptions originally made are disproved, as relationships that play an important role in the model change, and as the techniques of projection are improved. Hence, flexibility is an important criterion in deciding upon the character of the model adopted.

Long-term projections, to be of use in policy formation, must distinguish the main sectors of the economy, particularly those that are likely to follow different paths. In countries in which great differences exist in the present economic structure or in the possibilities of development among geographic regions, long-term projections will profit greatly from, and may even require, separate regional projections as the basis for a national projection.

Since the main constraints to rapid economic growth in the ECAFE region are likely to be the supply of capital and of foreign exchange, particular attention should be devoted in long-term economic projections to these two factors.

We feel that capital-output ratios should be used with greater caution in estimating capital requirements than has been the practice hitherto; that if so used their calculation should be much more carefully done; that they should be used only if it is possible to make separate projections for the main sectors of the economy and for the majority of large individual capital using projects; and that greatest care should be exercised both in extrapolating past trends in the ratios and in applying ratios derived from one country's past experience to another country's future development.

Because of the crucial role of foreign exchange in financing economic development, long-term projections must devote particular attention to the possibilities of substitution of domestic production for imported raw materials, consumer goods or capital goods. Full consideration should be given to the expansion and diversification of exports; of foreign direct or portfolio investment; and of foreign aid. Projections in these fields can be made successfully only in collaboration with the other countries involved, both within and outside the ECAFE region.

Insufficient attention has been devoted in most long-term projections to problems on the demand side. Satisfactory projections require reasonably reliable estimates of the demand for the main types of consumer goods and services by main groups of consumers.

The basic projections of real output and consumption must be accompanied by projections of the financial aspects of economic development. These projections should, in particular, clarify the effects of alternative monetary and price policies and of alternative ways of financing capital expenditures on the path of economic development. The essential point again is the test of consistency between projections of real flows (inputs and outputs) and financial flows (money and other financial assets and liabilities). Such a test cannot be made realistically without also making projections of changes in the general price level, relative prices and interest rates.

In most ECAFE countries, the quality and scope of statistical information available are as yet hardly sufficient to make long-term projections with the minimum degree of confidence required. A considerable improvement in these directions is, therefore, a prerequisite for successful long-term economic projections.

SOME RECENT BOOKS AND REPORTS
ON DEVELOPMENT PLANNING

Planning for Economic Development, Report of a Group of Experts; United Nations, New York, 1963, 151 pp. + Annexes 64 pp. (Mimeograph A/5533, Oct. 10, 1963). To be published May, 1964, UN Publication Sales No.: 64.II.B.3.

This report was prepared by a group of experts from developed and developing countries appointed by the Secretary General at the request of the UN General Assembly to conduct a study of the experience gained and the techniques used in the planning of development in different types of economic systems. The group held three sessions on August 6-10, 1962; March 25-April 5, 1963; and August 5-16, 1963. Successive chapters deal with the nature and role of plans; the main substantive aspects of formulating a plan; the methods of implementing plans; the organization of planning and the administration of the plan; and the problems of harmonizing national plans with international factors affecting the performance of the domestic economy. Differences are noted in the problems and procedures involved in each of these aspects of planning in the private enterprise economies, the mixed economies, and the centrally planned economies. While the analysis is based upon actual experience, no particular countries are identified, and the conclusions and recommendations are stated in general terms.

A second volume containing studies prepared by individual members of the group and by the governments of a number of countries will be issued at a later date.

Walinsky, Louis J., The Planning and Execution of Economic Development; New York, Toronto, London, McGraw-Hill Book Company, Inc., 1963, xiii and 248 pp., US\$7.50.

Prepared for policy makers and administrators who have not had professional training in development economics, this book explains in simple, nontechnical language the

purposes, methods and uses of development planning. Its purpose is to help government officials and political leaders to understand better the nature of the planning process and to utilize more effectively in carrying out their policy responsibilities the results of the planners' technical work. Subjects covered include selection of development goals and strategies; assessment of development resources; setting of sectoral and other targets; ensuring consistency of programs, projects and policies; organization of the planning process; implementation of programs and projects; annual programming and plan modification; and other aspects of development planning. Appendices contain pertinent data on the less developed countries, the aid programs of the developed countries, the methods of project appraisal; and a selected bibliography for further reading.

Krishnamachari, V. T., Fundamentals of Planning in India; Bombay, Calcutta, Madras, New Delhi, Orient Longmans, 1962, xviii and 267 pp.

V. T. Krishnamachari, one of India's elder statesmen, was a member of the Indian Planning Commission from its establishment in 1950 and served as Deputy Chairman from 1953 until the publication of the drafts of the Third Five-Year Plan in June 1960. In consequence, this book is based upon intimate knowledge of development planning in India. The author has undertaken a detailed analysis and evaluation of all major aspects of the planning process, including the social welfare objectives of Indian development strategy, the legal and constitutional framework for planning, the relationship between the central government and the states, the historical background and preliminaries of planning in India, the organization and operation of the Planning Commission, the achievements and shortcomings of the First and Second Five-Year Plans, the financial and economic policies and problems affecting the Plans, and the preparation of the Third Plan. A concluding chapter summarizes the many specific recommendations made by the author for improvements in planning processes and policies.

Waterston, Albert, Planning in Morocco: Organization and Implementation, 1962, viii and 72 pp., US\$2.50; Planning in Yugoslavia: Organization and Implementation, 1962, viii and 109 pp., US\$3.00; Planning in Pakistan: Organization and Implementation, prepared with the assistance of C. J. Martin and Fritz A. Steuber, 1963, ix and 150 pp., US\$3.00. Monographs prepared for the Economic Development Institute of the World Bank and published by the Johns Hopkins Press, Baltimore.

In these three monographs, Mr. Waterston, a long-time staff member of the World Bank and currently member of its Development Advisory Service, describes in detail the evolution, problems and accomplishments of development planning in Morocco, Yugoslavia and Pakistan respectively.

The author is not primarily concerned with the technical aspects of planning but rather with the effects of changing economic, social and political conditions upon the nature and organization of the development planning process in each country and the ways in which these institutional factors have contributed to planning successes and failures. The evolution in each country of the major policies embodied in its development planning and implementation is discussed and the extent to which these policies were effective in achieving planned goals is assessed.

Robock, Stefan H., Brazil's Developing Northeast: A Study of Regional Planning and Foreign Aid; Washington, D.C., The Brookings Institution, 1963, xv and 213 pp., clothbound US\$3.50, paperbound US\$2.00.

This study is based upon extensive field experience in Northeast Brazil on two occasions separated by an interval of four years. Thus, the author has been in a position to assess changes over time at first hand. His comprehensive study describes the physical, economic and social problems of the Northeast region of Brazil; analyzes its relationship to the development of the country as a whole; assesses the successive planning and assistance efforts instituted to deal with its difficulties; and draws valuable lessons from these experiences for the future progress of the region and for development generally.

A Study of Industrial Growth, Department of Economic and Social Affairs, United Nations, New York, 1963, vi and 55 pp., Sales No.: 63.II.B.2., US\$0.75.

This study was prepared by the Research and Evaluation Division of the Centre for Industrial Development, Department of Economic and Social Affairs in collaboration with the Research Centre in Economic Growth of Stanford University. It investigates the pattern of growth of manufacturing industry in different countries at various stages of economic development. The basic tool employed is multiple regression analysis. The study is aimed at determining to what extent industrial development conforms to some pattern, in the sense of a quantitative relationship between the level and composition of manufacturing industry in a given country and a certain number of general economic characteristics of that country, for example, per capita income, population, rate of economic development, government policy, resource endowment, etc.

COOPERATIVES

One of the problems confronting most countries seeking to accelerate their development is how to obtain some of the benefits of the economies of large-scale operations while at the same time preserving the benefits arising from the stronger motivation of small producers when they have their own farms or workshops. Cooperatives have proven to be an effective means for reconciling these objectives, particularly in agriculture. By joining together in cooperatives of various kinds managed by themselves, small farmers are able to process and market their products more economically, buy supplies and equipment in bulk, and obtain cheaper credit, insurance and other services and facilities without sacrificing the psychological incentives and social benefits derived from independence and self-reliance. Producers and marketing cooperatives have also been tried on a much more limited scale in various light manufacturing industries, service trades, and skilled handicrafts. In addition, the cooperative form has been used in other fields, such as credit unions, cooperative housing projects, consumer cooperatives, etc.

However, the establishment and maintenance of a successful cooperative is by no means easy. The successes and failures of the past decade are producing a growing body of knowledge about the factors involved and the ways by which the problems of cooperatives in the less developed countries can be mitigated and the growth of cooperatives fostered. This section contains excerpts from some recent reports, monographs and articles dealing with difficulties faced by cooperatives and some of the means for coping with them both generally in the less developed countries and in the experience of two specific countries -- Japan and India. A brief description of a U.S. program utilizing the experience and personnel of U.S. cooperative organizations to assist cooperatives in developing countries and a short selected bibliography conclude the section.

THE BACKGROUND AND PURPOSES
OF THE CO-OPERATIVE MOVEMENT

Alexander F. Laidlaw

[From Training and Extension in the Co-operative Movement: A Guide for Fieldmen and Extension Workers, Agricultural Development Paper No. 74; Food and Agriculture Organization of the United Nations, Rome, 1962, US\$1.00; pp. 1-6. (A brief description of this book appears on page 96 below.)]

These are
excerpts
from the
book.

Co-operatives are an almost universal form of organization found today in practically all countries and used by people in many ways: to market food products, to purchase production supplies for farming and fishing, to provide housing -- especially low-cost housing -- to purchase family and household needs, to sell goods made by workers and craftsmen, to supply community services like electric power, to provide various forms of protection like insurance or health services, etc.

Certain essential features are seen in all forms of co-operatives:

1. They consist of groups of people who join together to do something they cannot very well do as individuals.
2. They aim to provide some service that is necessary or very desirable in the lives of the people concerned.

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3. They operate on the basis of self-help, that is, the people involved look to themselves as a group for the solution of their problems.

4. They do business from the motive of service and not for the purpose of making a profit.

A widely used definition of a co-operative is: a business organization that is owned by those who use its services, the control of which rests equally with all its members, and the surplus earnings of which are divided among the members in proportion to the use they make of its services. This definition, however, should be expanded for it makes no mention of the social, educational and community values that are widely recognized and generally found in co-operative organizations.

It is sometimes easier to explain co-operatives by stating their objectives thus:

- They aim to provide goods and services at cost.
- They aim to eliminate the unnecessary profits of middlemen in trade and commerce.
- They seek to prevent the exploitation of the weaker members of society.
- They aim to protect the rights of people both as producers and consumers.
- They promote mutual understanding and education among their members and, in the long run, among people in general.

Historical Background

Informal types of co-operatives are as old as human history: whenever people came together voluntarily to help one another by providing a group service, they actually had a simple form of co-operative. But the co-operative movement as we know it today had its beginning in Europe in modern times as a result of the industrial revolution. In several European countries, the first co-operatives were organized by workingmen who were seeking to change the wretched conditions brought about by the new age of machine and factory production that began in England almost two hundred years ago and soon after in other countries. In 1844, in the town of Rochdale, a small group of people, mostly weavers, organized a co-operative society which observed certain rules. This was such a success that it grew into a strong national movement and gave the town's name to the basic co-operative principles, which are known throughout the world.

The Rochdale Pioneers started their co-operative with a small shop selling ordinary foods and household supplies, and their scheme had a wide basis, for it organized people as consumers. At about the same time, other types of co-operatives began to appear in other countries of Europe. For example, an important and significant rural credit movement developed in Germany. The name of its founder, F. W. Raiffeisen, is still associated with this movement, which later had a strong and very definite influence on the co-operative movement in India. In time, the basic principles of co-operation were recognized as applying to a great variety of organizations, and thus a world movement developed.

Co-operative Principles

True co-operatives are identified by their observance of a few simple rules, the Rochdale principles. The four primary principles are:

1. Open membership -- all people who can benefit from the services of a co-operative are admitted to membership.
2. Democratic control -- each member has one vote regardless of the number of shares or other forms of capital held.
3. Limited interest paid on capital -- money invested in a co-operative is allowed only a normal and modest rate of return.
4. Surplus earnings are distributed in proportion to the use made of the services of the co-operative -- what is usually paid out as profit to shareholders in other business is returned in a co-operative to those who created the surplus.

There are some additional principles which, though not essential, commonly characterize co-operatives:

- (a) political and religious neutrality;
- (b) business carried out on a cash in preference to a credit basis;
- (c) goods and products handled at current market prices;
- (d) education for continuous expansion.

Unfortunately, some of the recommended operating practices and even some of the principles are not strictly observed by some organizations registered as co-operatives.

The Co-operative Movement in Less Developed Countries

From its birthplace in Europe, the co-operative movement has spread to the rest of the world. In recent years, it has been making a strong impact on the economies of the new emerging nations and in the countries with underdeveloped resources. Several international organizations, including the agencies of the United Nations, are encouraging the spread of co-operatives among people where they are most needed.

In those countries that aim to establish a co-operative sector as a part of the national economy, one of the crucial questions is the quality and extent of government participation. This question never arose in the early days of the movement, when governments were either hostile or indifferent to the idea of co-operation in business affairs. But since 1945, and in the newly independent nations, governments now have frequently taken official action in planning for extensive co-operative development. For the movement as a whole, it becomes largely a question of how far government departments can promote and organize co-operatives that must from their very nature be free and voluntary societies and not mere agencies of government policies.

The ideals of the co-operative movement are not going to be realized unless this new trend develops in the right way. Indeed, there may even be a danger of having a spurious brand of co-operation that in no way represents the true spirit of the movement. Co-operatives are essentially self-governing organizations and can grow to best advantage only in an atmosphere of sturdy self-reliance. In countries where an extraordinary effort has to be made by the government to raise the standard of living of the masses of the people, the co-operative movement and the state may work closely together for the achievement of common objectives, but co-operatives must not lose their vitality and the urge for self-expression and self-help.

While it is recognized that governments can play an important role in the development of co-operatives in many countries, there should, at the same time, be an assurance that this development is genuinely co-operative, and that it is not stifling self-reliant initiative.

Above all, it should be clearly understood that co-operatives are not merely economic institutions. The complete co-operative philosophy includes educational, social, moral and cultural values, which are apt to be overlooked if economic ends are the sole motivation.

SOME PROBLEMS OF CO-OPERATIVE EXPANSION

Margaret Digby

[From Co-operatives; London, The Overseas Development Institute, 5 shillings; pp. 57-62.]

[This pamphlet describes the main types of co-operatives that could play a significant role in the less developed countries and summarizes the lessons to be learned from experience to date in establishing and operating such co-operatives.]

The Overseas Development Institute, which published this pamphlet, is a private, nonprofit institution established in 1960 to study the problems of developing countries, and disseminate the information collected among those people concerned with and working on development problems.]

These are excerpts from the pamphlet.

The experience not only of Europe but of many Asian, African and Latin American countries shows how essential a part the co-operative form of enterprise can play in its special fields. It shows also how co-operation can bring an element of social influence and social restraint into an economy based on private business. It can, on the other hand, go a long way towards liberalising economies based on state planning and state control. It is not, however, a magic formula, and its introduction calls for time, patience and education. It also calls, in most countries, for a certain amount of money.

Margaret Digby is Secretary of the Plunkett Foundation for Cooperative Studies, London, and one of the world's leading experts and author of many studies and reports on co-operation.

Slow Growth of Co-operatives

Since membership of a co-operative is voluntary and the organisation is controlled in the last resort by its members, it cannot come into existence until a reasonable number of people believe that it would be to their advantage to join; nor can it function satisfactorily until the members have at least a basic knowledge of how it works. It is further necessary that the membership should produce from its own ranks at least half a dozen men capable of forming a committee, and that the committee in turn should be able to find, appoint and retain in service sufficient competent and honest employees to manage the business.

It is of the essence of co-operation that the main responsibility for providing capital should fall on the members themselves. If they are men of small resources, unused to the idea of saving, let alone investment, for a more or less distant objective, this building up of "owned resources" (share capital and reserves) is likely to take time. The volume of business which can be transacted depends partly on the numbers prepared to use the services of the co-operative, but also on the capital available.

All this means that the natural development of a co-operative movement is likely to be slow, especially in the early stages. Small, widely scattered co-operatives will be formed and some will fail, generally through human weaknesses of one kind or another. The volume of business will be too small to effect far-reaching economies in operation or make a strong impact on the market. While the organisation is small and management uncertain, it will be difficult to embark on any sort of vertical integration. Once this initial phase is passed, development is usually much more rapid; but it may take ten years or more to reach the break-through point.

Today, most developing countries are in a hurry. They want to exploit their natural resources to the full, and, more especially, to bring their standards of living up to those of Europe and North America in the shortest possible time. Their leaders are often impatient with the slow rate of "natural" growth in the co-operative movement, and assurances regarding the future stability and strength of a co-operative movement which has evolved in this way will probably be received without much enthusiasm. Moreover, rival systems claiming to bring quick results through the action of the state or of state-aided companies, are likely to be recommended with all the resources of modern propaganda.

Finance

It is not surprising that the governments of developing countries which have grasped the value of co-operation are nonetheless anxious to push on development by various forms of direct aid. One of these is the

well-tried system of establishing a department of government with the sole function of promoting co-operatives and supervising their progress. This in itself costs money, but it is money well spent. Indeed, a good deal more could fruitfully be spent in this way, for most co-operative departments are pitifully understaffed, the staffs often under-graded and the chances of promotion too limited to attract the type of men most needed. Too many co-operative auditors, for example, transfer to the Treasury at higher salaries just when they are becoming most useful to the co-operative movement.

There remains the much larger question of how much financial aid, either in grants or loans, should be provided direct from government to the co-operatives themselves. General experience is against grants unless of the most modest kind (e.g., a first set of account books to a primary co-operative). Loans fall into two categories. There is first the long-term loan (or occasionally share investment) from government or marketing board to cover capital installations. If these are costly, and at the same time there is a real economic need in the district, a government or government-guaranteed loan may be inevitable and fully justified. It should be for a fixed term of years, secured on the plant, with regular amortisation and a moderate but regular interest charge. This should be a failure-proof operation. It can only go wrong if the economic need has in fact been misjudged or the loan made on grounds which were social or political rather than economic.

The alternative form of financial aid is the short-term loan intended to make possible the movement of a crop, the stocking of a wholesale supply co-operative, or the provision of resources from which credit co-operatives can make short-term loans to their members. The first undertaking may be justified if the loan represents no more than a safe percentage of the estimated or actual value of the crop to be handled. In the first place, the crop itself provides the security. In the second, it would be uneconomic for a co-operative painfully to accumulate large capital resources which would only be in use for a few months in the year. In time, a national co-operative bank may be set up which can balance the seasonal needs of different crops or even non-agricultural industries. In the meantime, non-co-operative finance, preferably on well-understood business terms, will be a necessity.

The other possible uses of short-term governmental loans are much more open to question. The advance purchase of some simple agricultural requirement like fertilisers may be financially a safe operation. All forms of general trade are subject to great risks and not as a rule suitable objects for government investment. The advance of credits for transmission to small borrowers is more attractive, since it may seem the only method of rescuing the borrowers from debt or of improving their methods of farming. It can, however, end by weakening rather than strengthening the co-operative organisation. Money too easily come by

tends to be recklessly distributed. Repayment is not pressed; nor is thrift and the need to build up the co-operative's own capital. If these things are not to happen, much supervision will be needed.

It must also be remembered that a government advance which passes at only one remove to the individual farmer, through a credit or even through a marketing co-operative, can be made to appear a political favour and can be given in circumstances which hold out no real assurance that the loan will ever be repaid. Needless to say, this is not the way to build durable economic institutions, whether on a co-operative or any other basis.

The rules for government investment in co-operative undertakings would seem to be (1) it should not be given except to organisations strong enough to manage it without excessive supervision; (2) it should be given on business terms, even if the rate of interest is kept somewhat lower than the commercial rate; (3) it should be temporary and should be gradually withdrawn, leaving the co-operative either able to finance itself or with a reputation which will enable it to borrow from commercial banks on normal terms.

Education and Training

Co-operative progress on any scale demands a continuous effort in education at more than one level. If this seems an excessive demand, not made by other forms of economic enterprise, it should be remembered that the economic education of quite large sections of the population in a developing country is in itself one of the valuable results of co-operation and would not be wasted even if the co-operatives themselves were eventually to turn into something else, such as a marketing board.

Co-operative education is concerned with several different groups: potential members; members; committees and unpaid officers; salaried staffs; officials of (governmental) co-operative departments. The potential member can only be made acquainted with the general idea of co-operation through the occasional public meeting, through any general schemes of adult education, or (as is done in some countries) by teaching in schools and by the organisation of miniature co-operatives (thrift clubs, tuck and pencil shops) among schoolchildren. The member will probably be educated mainly through the annual general meeting of his society, which, if it is well devised, will include a lecture or a film show in addition to formal business.

Committeemen, especially chairmen and unpaid secretaries or treasurers, should know a good deal more about both co-operative rules and procedures and about the business which the co-operative is trying to carry on. Many will be naturally able men, but they are unlikely to have had previous experience in these fields. The method of improving their

knowledge is not easy to find. They may be illiterate. Even if they can read, few farmers of any country are anxious to spend much time on books or pamphlets. Most are men of mature age who probably do not regard themselves as in need of education. Even if they have a taste for it, they probably cannot leave their farms for more than a few days. In spite of these difficulties, something can be done through itinerant lecturers, short district conferences, and the presence of supervisors or auditors at committee meetings.

In these circumstances, much depends on the ability and devotion of the two classes of paid staff, co-operative and governmental, and much attention must be paid, and indeed is being paid, to their education and training. Many countries today have co-operative colleges, sometimes more than one, established for this purpose. In Europe, these are the staff colleges of the various co-operative movements. In Asia and Africa, they have, until the last few years, been mainly concerned with training the junior officers of co-operative departments, and have only recently opened their doors and adjusted their curricula to meet the needs of the salaried staffs of the co-operatives themselves. The subjects in which courses are given usually include bookkeeping, co-operative law and administration, auditing, the general background of co-operative principles and the development of co-operation in other countries.

Most of these co-operative training centres are too small (though some are now being enlarged) and could do with more staff, better premises, better libraries, more teaching apparatus. Most should be more rapidly introducing the teaching of managerial and business subjects other than bookkeeping.

Residential co-operative training on a national scale is to some extent supplemented by international correspondence courses and by attendance at co-operative colleges or seminars in other countries. The Co-operative College in the United Kingdom has for many years received annually 20 or more overseas students for a course, lasting 9 months, specifically adapted to their needs. Similar courses are offered in India, Ceylon and Malaya, also in France for overseas countries where the second language is French. Courses, usually not lasting for more than 2 to 3 months, are also provided by specialised institutions in Canada, Israel, Denmark and West Berlin. The United States offers a number of travel bursaries to co-operative officers in developing countries. The course of study includes visits to co-operative institutions in America and in some cases a period at an American university, rather than at a specialised co-operative college. The Plunkett Foundation runs an annual short course in Africa attended by Africans from all countries whose second language is English. (Established in 1919 in London "for the systematic study of agricultural and industrial

co-operation," the Foundation has provided facilities for students of co-operation for many years and has carried on organised training courses since 1954.)

All these courses have a certain value, though some are better adapted than others to the needs of co-operative students from developing countries. In addition, a number of short seminars are arranged by inter-governmental agencies such as the International Labour Organisation, the Food and Agriculture Organisation, the Caribbean Commission, etc. The International Co-operative Alliance runs an annual short school, but not exclusively for representatives of developing countries. These do, however, benefit considerably from its publications and from the contacts which it offers between their organisations and those of older and maturer co-operatives in other continents.

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GUIDELINES FOR CO-OPERATIVE
EXTENSION WORKERS IN THE FIELD

Alexander F. Laidlaw

[From Training and Extension in the Co-operative
Movement: A Guide for Fieldmen and Extension
Workers, Agricultural Development Paper No. 74;
Food and Agriculture Organization of the United
Nations, Rome, 1962, US\$1.00, pp. 47-57.]

[This is a guide to the training of extension workers in cooperative movements, particularly for less developed countries. In its preparation, the author, well-known Canadian specialist and consultant on cooperatives, has drawn extensively on his experience in India where he served as expert on training and extension for cooperatives. The book describes the background and purposes of cooperatives (see pp. 86-89 above), the role of education in cooperatives, the organization and functions of extension work in cooperatives, and the selection and training of extension workers. It has a selected bibliography and various appendices containing sample outlines and curricula for training courses, examples of materials used in training and in extension work itself, and sources of additional information.]

Excerpts
from the
book
begin on
the next
page.

The final chapter, parts of which are reprinted below, offers some simple, practical guidelines to cooperative extension workers who are being trained to organize and assist rural cooperatives. However, these suggestions will be useful to anyone engaged in working with the people of rural communities to improve their conditions of life.]

The most important equipment an extension worker carries with him is his understanding attitude towards the people among whom he is going to work. Otherwise no true education can take place. This attitude can be best acquired by trying to imagine himself in the place of the people he approaches. How would the extension worker behave if he found himself in the same circumstances and faced with the same problems? He may find it hard to understand why a person does things that appear to him to be stupid. But what would he do in the same situation?

To do effective extension work, the fieldman must have respect for those whom he hopes to help. He must not regard villagers as ignorant people, but consider rather their present knowledge and experience on which he will have to build his program of education. The ordinary villager or worker may be illiterate and lacking in certain essential knowledge, but he has an earthy wisdom, which most so-called "educated" people do not have. The longer one works with people lacking formal education, the more one comes to appreciate their inherent intelligence.

How To Start

Young men starting out on extension work often ask the questions: Where do I begin? What should I do first? The best answer is: Start first with personal contacts, not public meetings. Begin by getting acquainted with individuals; take time to talk to them so that they realize you are interested in their problems; learn as much as you can of the community and its problems by talking to people, sometimes in small groups. The extension worker soon finds that he often does his most effective and lasting educational work while talking informally to people, rather than by making speeches at meetings.

Another valuable rule, especially for the beginner, is: Be a good listener. The educational worker in the field must be patient and let people explain their viewpoint.

Above all, the young extension worker must not begin by arguing with people, nor should he contradict them. A hot argument rarely changes men's minds, but often has the opposite effect of creating a barrier to facts and information. True education can take place in the adult mind only when there is a two-way communication, an exchange of viewpoint and a gradual modification of outlook. (Here we might keep in mind the great Gandhi's advice: "If you're right, you can afford to keep your temper. If you're wrong, you can't afford to lose it.")

The beginner in educational fieldwork should also avoid making quick judgments or appraisals without sufficient knowledge or evidence. For example, he will probably be told on his first visit to a community that a certain individual is a scoundrel, another a very fine man, someone else a villain and so on. There will, no doubt, be some truth

underlying these views but it would be well for him to withhold judgment until he knows the local situation better. He should, of course, take these views into account but at the same time avoid premature decisions based on them.

The beginner in the field will also be well advised never to try to set up a co-operative organization on the first visit. There may be unusual circumstances, where the preliminary educational work was done by someone else; but ordinarily the actual establishment of a co-operative must be preceded by considerable study and no extension worker should allow himself to be rushed into organizing something that cannot possibly have a solid foundation.

But there is danger for the young worker in the other extreme, in delaying too long in discussion and study without coming to grips with a practical situation calling for co-operative action. People are not going to be satisfied for long with theoretical study; they must be given a chance to demonstrate for themselves, even in a simple way, how a co-operative operates. Once they have tasted success in meeting some community problem, then study and discussion will be easier, and the work of the fieldman will become easier too.

The Principle of Involvement

There is a fundamental principle of extension work, so basic that if a fieldman does not understand it or ignores it all his efforts may be largely wasted. For want of a better name we may call it the "principle of involvement." It simply means that people have to become "involved" or "caught up" in the educational program in order to learn; they must be taken into the activities and become part of them; they must participate and be active in the work of education. This principle is based on the simple maxim, "learning by doing," and on the fact that true education is an active learning process, not a passive receiving of something. Of prime importance in other extension work, it is the very essence of co-operative extension and the foundation of good co-operative societies. For it must always be borne in mind that a true co-operative represents what a group of people do, not something that is done for them.

The extension worker first applies the principle of involvement in simple ways, and later, in more important matters. The people grow in understanding and experience as the community program proceeds. For example, suppose that, after getting acquainted in a community, he wishes to hold a meeting of some kind: he does not go ahead on his own and select the day for it; he consults a number of people and asks their opinion. He does not select the place, but asks them to do so. Similarly, he gets a local committee together to help draw up the agenda. He does not act as chairman himself, but asks the people to select one of themselves to act. All the time he is involving others in the planning. He

does not do this out of laziness, but because he wants them to feel that their participation is necessary for success, as indeed it is.

This method is especially valuable in getting certain persons to attend a meeting or perhaps act on a committee. The extension worker himself will not generally approach the individuals but he will ask others to do so: A can ask his friend B; C can speak to D and E; and so on. Others are being involved all the time in plans and arrangements. Many people are in this way consulted, they are asked to give opinions, to make decisions; they are acting, learning, doing, gaining experience -- in short, they are being trained and educated by becoming "involved." It is thus that ordinary people gradually learn to run co-operatives.

Organization of Meetings

Meetings are important in the organization and running of co-operatives. Meetings are needed to start a co-operative; it is through meetings of the members that co-operative societies are controlled; through directors' meetings that business affairs are directed. A considerable part of the educational duties of an extension worker has, therefore, to do with meetings of various kinds. Meetings have this additional value: when conducted properly they provide valuable training in democratic procedures.

To have good meetings and to maintain the interest of people in meetings, there are a few simple rules which should be followed.

1. Good meetings require careful preparation. When there is lack of planning beforehand, meetings tend to become dull and meaningless.
2. Use the principle of involvement as much as possible. Get the people themselves to see about the arrangements and details. Train a few leaders to act as chairmen. Give instructions as to how to keep minutes. Encourage many to speak at the meeting. Give assistance in the preparation of reports. A large number of people can thus be involved in a meeting and, in this way, the whole community feel that the meeting is theirs; they are naturally more interested in it.
3. Insist on the keeping of minutes and a proper record of every meeting, and the reading of minutes at the next meeting.
4. Every extension worker should know the common rules of parliamentary procedure and encourage their use.
5. When there are important matters to be decided at a meeting, always use the group discussion method if at all possible. That is the

best way to have democratic participation in policy-making and to get the benefit of everyone's viewpoint.

6. Meetings should not be arranged for a time that will interfere with the regular work of the people. If they find that co-operative meetings are taking precious time from them, they will soon begin to stay away.
7. Meetings should begin on time, and should not be so lengthy as to be tedious.
8. The extension worker or government official should not be the pivotal person around whom the meeting revolves. The people should feel that it is their meeting. Written reports of the meeting should not feature the visitors or officials from outside the community but instead should report the most important matters raised at the meeting, and how the people took part.

Choice and Training of Leaders

The extension worker soon finds that much of his work revolves around local leaders, and also that its success depends to a great extent on the reliability and capabilities of these leaders.

How people select their leaders, how natural leaders arise and the inner qualities which make them genuine and democratic leaders, are all only dimly understood. But it is certain that this is one of the most delicate and difficult aspects of the work of the co-operative extension fieldman. It is obviously his duty to help people to select the best leaders for co-operative organizations, and in this he should follow their judgment as far as possible and not allow his own personal feelings to weigh too heavily. Only when he knows for certain that the leaders are unreliable can the extension worker intrude, and then as tactfully as possible.

Training local leaders in co-operative principles and methods is clearly extension work of the first importance. These leaders must be well grounded in the aims and ideals of co-operation and they should be shown how good meetings, group discussions and study clubs should be conducted. Special short courses are essential for those who are to become the directors and officers of co-operative societies. They should also be encouraged to attend conferences where they can meet other leaders in co-operative work. Tours to places where co-operative societies are working successfully will be found one of the best ways to inspire leaders who are new to the movement.

In the day-to-day work of leadership training the fieldman should have a few simple guide-rules to follow:

1. Seek out those who derive their leadership from personal qualities rather than from some position of authority or power already held.
2. Try to find leaders who will not use their position selfishly.
3. Extension workers should encourage leaders in one activity to be rank-and-file members in other activities. For example, the president of one co-operative society in a community should be an active but ordinary member in another co-operative. The situation should be avoided in which one leader holds office in all or several co-operatives in one community at one time.
4. Provision should be made for automatic rotation in positions of leadership and in offices in co-operatives. This practice should be followed from the beginning in study club meetings by rotating the position of chairman or leader.
5. Extension workers should avoid any situation that makes it difficult for them to deal impartially with local or district leaders. They should especially see to it that their personal connections or friendships do not interfere with their good judgment on controversial issues.

Starting a Co-operative

The extension worker concerned with sound co-operative development should keep in mind certain fundamental rules applicable to his work. These are based both on the experience of educational workers in different parts of the world and also on the philosophy of the movement itself.

1. The fieldworker need not wait until most of the people or even the majority in the community decide that they want a co-operative before organizing one. But he must be satisfied that it is supported by a sufficient number to make it a success.
2. It is never advisable to organize on negative reactions alone; for example, out of resentment or envy toward merchants, traders or money-lenders. Co-operatives based largely on revenge or hatred tend to lose their strength when the objects of these motives disappear. It is always better to direct organization along positive lines, for example, by having the people think of organization as a means of progress. It can be pointed out that profiteers and exploiters have gained their position of economic power because the people themselves have not used a remedy which lies within their reach.
3. It is always better to start a co-operative society with a few reliable people who almost certainly will be loyal, than to start with a larger number containing many doubtfuls. The pioneer society at Rochdale had only twenty-eight members when it opened, but each one was a convinced co-operator from the start.

4. The extension worker should not make extravagant promises to the prospective members of a society about what the co-operative is going to do for them. He should not make it seem as if the co-operative is going to work magic in their lives. Instead, he should try to impress on them that the power of the co-operative will depend not so much on the organization as on themselves and on how they use it.
5. The extension worker should never regard the co-operative society as an end in itself, but as a means to something else. It is a social instrument. The important thing is not the society but what it achieves in better living, better family life, better communities. No matter how good a co-operative may appear to be, it should be finally judged in terms of better, happier human beings.

Personal Advice and Encouragement to Extension Workers

1. You will probably be discouraged about your work in the beginning -- many extension workers are. Try not to be disheartened over initial setbacks. Remember that you should not expect to see the results of your work right away, sometimes not for a long while. A good extension man must have vision to see into the future, and the patience to strive toward it.
2. Do not be afraid to say: "I don't know." People will respect you all the more if you admit that you cannot answer all their questions. Say something like this: "I don't know the answer to that question, but I'll try to find out and give you the answer at the next meeting."
3. Do one thing well and finish it before moving on to the next. The good extension worker will not leave half-begun tasks behind him.
4. Trust the people, even to the extent of allowing them to make their own mistakes. Let the people do things by themselves, even though they may be far from perfect at the start. Remember this: learning is by doing.
5. Try to have a proper regard for unavoidable limitations, your own and those of the community. While you will, of course, strive for rapid progress, you must also bear in mind that a community and the people in it are not going to change overnight just because you ask them to do so.
6. Remember also that the test of your success as an extension worker and a co-operative educator will be what the people do when you are not with them, or how well they carry on by themselves after you have gone.

THE CONTRIBUTION OF COOPERATIVES
TO JAPAN'S AGRICULTURAL DEVELOPMENT

[From "Agricultural Development in Modern Japan:
the Significance of the Japanese Experience,"
a paper presented at the World Food Congress,
held by the Food and Agriculture Organization
of the United Nations, in Washington, D.C.,
from June 4 to 18, 1963.]

[A paper was prepared for the World Food Congress
held in Washington in June 1963, which described and
analyzed various aspects of Japanese agricultural devel-
opment relevant to the problems of the less developed
countries. The excerpts from it printed below discuss
the role of cooperatives in fostering the high level of
productivity achieved by Japanese farmers.]

These are
excerpts
from the
original
paper.

The Agricultural Cooperative Association was estab-
lished under a Law of 1900 which authorized cooperatives
for credit, marketing, and purchasing. The original law
stipulated that cooperatives concerned with credit could
not engage in other activities, but this restriction was
removed in 1906, and since then the main emphasis in
Japan has been on general purpose cooperatives. In this,
Japanese differ from most European and American agricul-
tural cooperatives. General purpose cooperatives, how-
ever, appear well adapted to the needs of developing
countries (as Japan was at the time); they are economical
of management and permit a larger and more economic scale
of operations than would be possible with single purpose
cooperatives.

Later legislation provided for setting up prefec-
tural and national cooperative federations (1909), gave
government backing to cooperative capital (1907), and
permitted cooperatives to provide warehousing services
for farmers (1919), to mention only some of the earlier
developments. Other important steps were the

establishment of a National Purchasing Federation in 1923 and of a Central Bank for Cooperative Associations in the same years. Agricultural cooperation developed quickly under these conditions.

During the early interwar period, credit accounted for a larger share of cooperative activity than marketing or purchasing. Credit was backed by government finance and formed the channel by which government aid reached farmers; whereas in marketing and purchasing, the cooperatives met stiff opposition from merchants, especially in the early nineteen-thirties. Even so, cooperatives became well established in some directions; thus by 1920 they handled more than half the sales of silk cocoons and undertook substantial purchases of fertilizer. Later they became entrenched in grain distribution and warehousing following their use by the government as purchasing agencies under the price stabilization program. Their role as credit agencies was further enhanced by bankruptcies of local private banks during the depression of the nineteen-thirties, and by their use in channeling government subsidies to farmers.

After the official wartime agricultural associations had been dissolved, the Agricultural Cooperatives were re-established under a law of 1947. The village cooperatives are of a general purpose type, though separate prefectural and national associations were set up for marketing, purchasing and credit. In 1957, there were about 12,500 of such cooperatives, covering every village, and with a membership of some five and a half million farm households; i.e., almost the total number of farm households in Japan. Side by side with the general purpose cooperatives, however, there has been a rapid development of specialized cooperatives of which there were 18,600 in 1959. The specialized cooperatives usually deal with some service not handled adequately or not handled at all by general purpose cooperatives, although occasionally the two types compete. The largest number (7,500) were concerned with silk culture, followed in order of importance by livestock marketing, fruit and vegetable marketing, and cottage industries. Land reclamation cooperatives are another rather distinct type encouraged since the war and some 5,000 were in operation in 1959.

Cooperatives in Japan were initiated by government action and developed by active government encouragement. They have become the agents of the administration for carrying out certain policy measures, notably price stabilization. At the prefectural and national level they are now large operating businesses. It could fairly be claimed that they differ considerably from the original conception of cooperatives. Nevertheless, they still enjoy, both at the more centralized and also at the village level, a large degree of control over their own affairs, though subject as in most countries to official audit. Their involvement in government operations, however, has greatly strengthened them economically, and has made them better able to

provide services to their members in other fields. There can be no doubt that they have contributed immensely both to the welfare of farmers and to the progress of agricultural development.

One feature which must have contributed greatly to the success of the Japanese societies is the close organizational network which makes cooperative facilities easily accessible to all farmers. It has been said that three things are to be found in every village in Japan: a village hall which houses the local administration, a school, and an agricultural cooperative. But the mesh goes even finer. The cooperative covering the administrative village area has sub-branches for each buraku or hamlet (which may cover anything from 30 to 300 or more farm households), with sections for marketing, purchasing and often production. "Production" often covers such things as the cooperative ownership of spraying equipment to control pests and diseases, etc. Orders for fertilizers and other requisites for future delivery are assembled at the buraku level and channelled in turn to the village and higher organizations. The buraku branch organizes the initial collection of rice, and may also operate other facilities, e.g., a collective centre for milk or a packing centre for fruit and vegetables. This close network means that each farmer is within easy reach of his branch for purchases or sales. He is also in regular contact with the staff and his fellow cooperators.

In the earlier period of cooperation in Japan, the cooperatives benefited landlords as much as and possibly more than the cultivators, especially when they were tenants. The largest sales of rice were the quantities delivered as rent to landlords, who were thus directly affected by price stabilization measures. It was in the landlord's interest to provide directly, or through the cooperative, the credit which enabled the tenants to buy fertilizers, for this increased the expectation that they later could pay their full rent in rice. All this contributed to the growth of the cooperatives, but meant also that until the end of World War II they were largely dominated by landowners and large farmers, as they are today in some Asian countries. They were also permeated by merchants who were eligible at that time for full membership. Today only farmers can be members with full voting rights, and the "clean-handed" (non-working) landowners have disappeared.

General purpose cooperatives today have an average of 10 directors, elected by members. About 40 per cent of the village cooperatives employ managers, while the total number of employees of each village cooperative averages about 11. Most developing countries find difficulty in staffing local cooperatives, and even in Japan with its high level of literacy there are complaints that the quality of directors and staff is too low. The most capable members of the staff are said to leave the cooperatives, where salaries are lower than those paid to village officers or to employees of other agricultural organizations.

Nonetheless, the cooperatives appear to be more successful in competing with private merchants than in a great majority of countries, even apart from grain marketing where they enjoy a virtual government monopoly. This gives them a firm base for their other operations.

The assembly of rice and other grains by the cooperative organization is perhaps the most interesting feature of the Japanese method of price stabilization. Because of the widespread network of village cooperatives, with sub-branches in each buraku or hamlet, the assembly process is very simple, while the farmer who has regular dealings with the cooperative is assured of receiving the official price. Thus, the incentive price can make its full impact. Collection of rice is further simplified because for rice the cooperatives do not have to compete with private dealers. The government, therefore, pays a small fee of 4 yen (1.1 US cents) per bag of 60 kg for this collection service. The cooperative's main income from handling rice, however, comes from the warehousing charges. In 1960, each cooperative in Japan had on average 2.2 warehouses with a total floor space of nearly 500 square metres. Warehousing fees give the cooperatives a regular and substantial source of income of which 90 per cent comes from warehousing rice and wheat.

In 1957 cooperatives were estimated to handle some 35 per cent of total sales of potatoes, 50 per cent of rape seed, 50 per cent of oranges, nearly 50 per cent of cocoons, 27 per cent of apples, 29 per cent of milk, and 11 per cent of eggs. In handling these items, the specialized cooperatives are active, and in the case of fruit and vegetables do more business than the general purpose cooperatives. However, some specialized cooperatives are criticized for functioning almost as though they were the agencies of large merchants or private buyers. In any case, the share of the cooperatives in marketing is substantial, and is likely to force private dealers to adopt practices more favorable to farmers than they might in the absence of cooperative competition.

On the side of purchasing, the cooperatives are most successful for fertilizers, fungicides and pesticides, in each case handling about three-quarters of the national business. Countries wishing to promote the use of fertilizers by their own farmers may find it of interest to study the Japanese method of organizing and financing their distribution. Advance orders are placed by farmers with their buraku and village cooperatives. In placing his order the farmer applies for a loan against the security of the proceeds of his coming rice crop (which must be marketed through the cooperative). With this loan, credited to him in his account with the cooperative, he pays for the fertilizers when received. The cooperative in turn issues a promissory note to the prefectural credit federation, using the farmers' loan certificates as collateral. The prefectural credit federation discounts these promissory notes at the Central Cooperative Bank for Agriculture and Forestry,

which when necessary uses them to obtain loans from the Bank of Japan. Thus the individual cooperatives and the prefectural association need virtually no funds to handle fertilizers, while the cooperatives are able to offer a large and secure order to fertilizer manufacturers. When each individual farmer's rice is finally marketed, his loan is paid off as a first charge against the proceeds. Cooperative prices for fertilizers are not, as would be expected, greatly different from those of private merchants. But this system assures them a major part of the business, makes fertilizers easily available to farmers, and probably goes far to account for the rapid expansion of fertilizer sales in Japan.

For other farm requisites, the cooperatives appear to be less competitive. They account for some 30-40 per cent of sales of animal feeding stuffs but only 7-8 per cent of sales of farm machinery and implements. Altogether, they cover rather over 40 per cent of total sales of production requisites. Many cooperatives also handle daily consumer goods, but here, too, they have been able to capture only 7-8 per cent of total farm purchases.

Credit has always been a basic concern of agricultural cooperatives and perhaps contributes more directly to increased production than any other activity. In 1914, although over 9,000 credit societies had been established, the share of the total farm credit provided by cooperatives was only 3 per cent, a figure of the same order as in India, according to the study made some 10 years ago by the Reserve Bank of India. In 1956, however, total loans by Agricultural Cooperative Associations amounted to Yen 319 thousand million, including Yen 210 thousand million to individual farmers. This represented over 70 per cent of the institutional credit received by farmers, but less than half the total loans to farmers. Farmers in Japan (as in most other countries) cannot easily obtain credit from general financing institutions, but a large share of their credit still comes from individuals, including relatives and merchants. In spite of its impressive progress, cooperative farm credit in Japan is evidently capable of further expansion.

One source of dissatisfaction is the rather high rate of interest charged by general purpose cooperatives, which in 1956 averaged 9.4 per cent annually. In the same year, a survey by the Bank of Japan showed that 70 per cent of all loans by commercial banks were at lower rates of interest. The Japanese cooperatives charge rates of interest considerably higher than those of cooperative organizations in India and some other Asian countries. But the latter usually cover a very small part of total farm loans, and throughout Asia interest charges by individual money-lenders are very much higher than 9 per cent. It is, indeed, debatable whether the strikingly lower rate of interest on cooperative compared with other agricultural loans, e.g., in India,

does not in itself raise difficult problems, given the small share of institutional to total farm credit. The relatively high rates charged in Japan are due partly to the relatively high cost of obtaining funds for loans (e.g., interest charges on members' deposits) and partly to the favorable rates offered by prefectural cooperative associations for deposits from village cooperatives.

It should be added that the loan funds of cooperatives include also money supplied by the government at low interest rates for specific purposes, including the development of forestry, fisheries and livestock, land development, a Disaster Recovery Fund, etc. These account for nearly one-quarter of total loans by cooperatives.

The main source of funds for short-term credit is the deposits of members credited to them for the proceeds of produce sold on their account. In particular, government purchases of rice are paid for ultimately by a deposit in the members account with the cooperative, to be drawn on as needed. Such deposits are substantial, though they naturally show a very large seasonal fluctuation. Interest is paid on deposits at the fairly high average rate of 5.6 per cent. Deposits not loaned to individual farmers are utilized by the Cooperative Central Bank and the Prefectural Associations.

In addition to their three main operations of marketing, purchasing and credit, the Japanese Agricultural Cooperatives have other activities. Their extensive warehousing services have already been mentioned: altogether cooperative warehouses account for about 55 per cent of available agricultural warehouse space. Transportation is another activity; in 1955, cooperatives owned about 10 per cent of all trucks in Japan, used mainly for carrying fertilizers and farm produce. More than half the societies undertake simple forms of processing such as rice and barley polishing, oil pressing, the manufacture of noodles, milk processing, etc. Some cooperatives also engage in mutual relief insurance, welfare activities (including the provision of hospitals and clinics), and farm extension.

It will have been remarked how closely these main activities are interconnected, and how greatly they have been strengthened by the government's employment of cooperatives for the issue of loans and particularly for purchases of rice and other commodities under price stabilization programs. In effect the funds channelled in this way provide the main source of credits to individual farmers, and also finance the extensive buying operations for fertilizers, etc., which have been powerful factors in agricultural development. It is a system which may well repay close study by other countries.

PROBLEMS OF INDUSTRIAL COOPERATIVES
AND TECHNOLOGICAL PROGRESS IN INDIA

D. A. Shah

[From "Industrial Cooperatives and Technological Progress in India," Review of International Cooperation; London, International Cooperative Alliance, Vol. 55, No. 1, January 1962, pp. 23-27.]

[The Review of International Cooperation is the official bi-monthly publication of the International Cooperative Alliance (ICA), the world-wide association of national cooperative unions. Founded in 1895, the ICA today comprises 111 organizations in 51 countries, and its total affiliated membership through national organizations exceeds 164,000,000. Its purpose is to propagate cooperative principles and methods and to promote friendly and economic relations between cooperative organizations of all types, both nationally and internationally. It promotes, through auxiliary trading, banking and insurance organizations, direct commercial and financial relations between cooperative enterprises in different countries so as to enable them to exert on the world market, as well as at home, an influence beneficial at once to consumers and primary producers. The ICA convenes international congresses, furthers the teaching and study of cooperation, issues publications and research data, and collaborates closely with the United Nations as well as with voluntary and nongovernmental international bodies which pursue aims of importance to cooperation. ICA headquarters are in London, 11 Upper Grosvenor Street, London, W. 1, England.]

Excerpts
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article
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page.

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Industrial cooperatives in India have in very rare cases entered the field of large-scale industry. They are mostly confined to cottage and village industries and handicrafts. A modest but slowly increasing number consist of workers in small-scale industries. The technological progress visualised in this article should, therefore, be taken to mean the technological progress in village, cottage and small-scale industries and handicrafts.

Village and small industries were assigned a "crucial" or "strategic" importance in the Second Five Year Plan. The Village and Small-scale Industries Committee (Karve) points out that while the complex modern structure is being built in the country on the basis of producer goods, it is essential that there should be no shortage of consumer goods. The need for increased production of agricultural and industrial goods is, therefore, as important in the short run as the building up of a modern structure in the long run. Accordingly, one of the objectives of the programmes of village and small industries in the Second and the Third Five Year Plans is that the industries should meet a substantial part of the increased demand for common consumer goods and simple producer goods.

The future of the village and small industries depends to a considerable extent on the technological advance they can make and sustain. Experimentation and research would make available to workers in these industries, better tools, machines, equipment and processes by which they can produce more goods and of better quality per worker in a given time and with given investment. It may also minimise waste of raw materials and fuel and find new, cheaper and better raw materials and power. If workers accept the results of experimentation and research, it would increase their income and by raising production of better and cheaper goods increase the competitive strength of the industries, and may in course of time make them self-supporting. In this way, two objectives would be achieved, namely, the raising of the standard of living of workers and strengthening the decentralised sector.

Now that Government is determined to concentrate on measures which include setting up of research and training centres and also extension services, what is needed most is a progressive and dynamic spirit instead of conservatism and inertia on the part of workers. This is an indispensable condition for technological advance of village and small industries.

This raises the question as to what role industrial cooperatives, on which much stress has been laid and of which great hopes are entertained, can and should play in securing technological progress.

The time is past when government, cooperators and the general public should be satisfied if cooperatives did a sort of relief work for artisans and workers by saving them from the clutches of money-lenders,

merchants and middlemen. The success of an industrial cooperative should be judged by the extent to which it serves the interests of the community as well as of its own members. The main criterion of its success should, therefore, be whether the cooperative and its members availed themselves fully of the results of research and adjusted their methods of production accordingly, without, as far as possible causing technological unemployment.

Research

Experimentation and research for village and small industries must be almost entirely the responsibility of the government which should set up a network of research institutions, instruct bigger industries and research bodies which at present devote their energies almost wholly to the needs of large-scale industries, to pay attention also to the needs of village and small industries.

So far as industrial cooperatives are concerned, it would usually be desirable to combine research with production activities at the same centre. This would offer three advantages: (1) results obtained at the research stage can be tried out at the same centre for testing their suitability for production on a commercial scale; (2) the centre can arrange to provide in-plant training of artisan and worker members of co-operatives; and (3) if the production activity of the centre yields adequate profits, as it has done in some cases in the past, the centre can meet part of its expenses on research.

There should also be schemes under which facilities can be provided for artisans and workers to try out new ideas in government or other research institutions. Inventions and improvements introduced by them could be suitably rewarded.

If there has not been sufficient improvement in the techniques of production, the fault is not that of artisans and workers alone. Although the extent and nature of research that is being carried on leave much to be desired, the arrangements for conveying the necessary information to extension staff and technical training institutions leave much more to be desired. The result is that the necessary information is not channelled quickly from research institutions to artisans and workers and sometimes it is distorted on the way.

Technical Training

Another matter which deserves attention is that research staff is not always aware of the problems and difficulties that are experienced by workers in their cottage homes or workshops.

In this respect, industrial cooperatives could be very useful in investigating and making known such problems.

The position relating to institutions and arrangements for technical training suited to the requirements of artisans and workers in village and small industries differs in different States. It is obvious that efficient technical training institutions should exist in sufficient numbers, that some should be permanent and some mobile, and that such arrangements should be made for admission of candidates, payment of stipends, etc., as would suit artisans and workers in village and small industries. Age limits, literacy qualifications, periods of courses and similar details will have to be properly adjusted.

Existing or prospective members of industrial cooperatives should be given priority in admission. Mobile schools and demonstrations would yield better results if posted at or near the headquarters of a good industrial cooperative or in an area where a group of industrial cooperatives in the industry concerned is working. It has been found to be more fruitful to attach a demonstrator to one or more societies so that he can improve, guide and supervise production in the society or societies.

Extension Services

That there should be well-trained, efficient and energetic extension staff in sufficient numbers goes without saying. Unless it is recognised that extension services should be given as much importance as research, the time, labour and money spent on research would largely be wasted. It is not rare to find that although research workshops and laboratories have years ago evolved tools and equipment, processes and designs, and found cheaper or better raw materials, few workers actually know the results and fewer still use them. Leaflets can be prepared in simple regional languages giving details of the possible improvements and pointing out how they can be adopted, at what cost and with what advantage. If such literature is supplied regularly to cooperative federations and even to primaries of the industries concerned, and arrangements are made to answer inquiries based on the literature and also for supply of technical guidance through personal visits by competent technical men, much can be achieved in a comparatively short time. Moreover, the difficulties that extension officers experience in collecting artisans and workers or even in approaching them individually would be removed if they approached industrial cooperatives.

Receptivity

Illiteracy, backwardness, conservatism and lack of ambition have been the principal factors which made artisans and workers in village and small industries apathetic and sometimes hostile to new ideas about production. The fact that some of them have taken to cooperative organisation indicates that they have a desire to improve their lot. Members of industrial cooperatives would, as a rule, be more appreciative of improved techniques and more receptive to new ideas than others. Moreover,

there are in a cooperative society at least a few persons including the secretary or the manager, who can read the literature supplied by extension workers. Once members of a society are convinced and adopt improvements, the society itself serves as a demonstration centre from which the knowledge and the spirit of receptivity radiate among non-member artisans and workers also.

Financing Improvements

Introduction of improved tools, machines and equipment involves some additional investment of money whether the improvement can be made by repair of old tools and equipment, as in some traditional industries, or by complete replacement of some of the important tools or equipment, or by addition of certain new tools, etc. It is often beyond the capacity of an individual artisan to find the necessary money for such investment. With an industrial cooperative, it is usually different. The society can and should get the necessary funds for the purpose. The Boards for different village and small industries and the Khadi and Village Industries Commission, as also Government Departments, should not only continue but strengthen their present policies of making funds available interest free or at concession rates of interest and of giving some subsidies for enabling members of industrial cooperatives or industrial cooperatives themselves to introduce improved tools and equipment. Repayment of the loans should be spread over a sufficiently long period to enable the artisans and workers to repay the loans out of their increased earnings.

Standardised Tools and Equipment

This is highly important. Cases have occurred in the past in which the so-called improved tools and equipment supplied to artisans under loan-cum-subsidy schemes of governments have been found to be unsatisfactory, involving the artisan in loss and making him shy of the very idea of improvements. It is, therefore, essential that there should be an assured supply of standardised improved tools and equipment and that the prices should be reasonable. This can be done if the tools and equipment are produced by well-managed government workshops or by industrial cooperatives or by reputed firms approved by government or an industrial cooperative federation. In the case of village industries, such workshops have been organised on cooperative lines or are conducted by non-official organisations registered under the Societies Act of 1860. If possible, checking of each piece by competent technicians before it is supplied to an artisan or an industrial cooperative should be introduced.

Common Service Facilities

These can roughly be divided into two classes: (a) There are certain hand-operated or power-operated machines which can cater for the needs of several artisans and are too costly to be purchased by one

individual and kept for his own use only. Such machines can best be purchased by a primary cooperative and made available to its members according to their needs. (b) Some varieties of handloom cloth would fetch a higher price and be more easily marketable if they were bleached and calendered or dyed or printed. Individual handloom weavers or ordinary weavers' primaries cannot make their own arrangements for such processing of cloth. But a big weavers' primary cooperative or a federation of industrial cooperatives can own and work such processing plants for the benefit of its individual or society members. Similarly, the hides tanned by the village tanners would acquire more value and be more easily marketable if they were processed in a finishing plant owned and managed by a federation at the district, regional or state level. Similarly, machines required for electroplating and other such processes can also best be owned by a large-sized primary or by a federation.

If workers or their cooperatives specialise in producing certain parts of consumer articles like bicycles, or of producer articles like oil, engines, etc., they need an organisation which can assemble the various parts and turn out complete articles for sale. Such an organisation would have to run assembly plants which can be done by a primary cooperative or a federation of primaries.

Guidance and Supervision

A federation can have research-cum-production centres for various industries. It can pass on detailed information regarding specifications, cost and sales estimates, etc., to primaries with samples, and if necessary arrange to send a technical supervisor who can give initial guidance to members or help them solve their difficulties in production of new designs or entirely new varieties of articles.

If an individual starts producing new lines in quality goods, he may make mistakes or experience difficulties in the course of actual production and if there is no one to help him, the goods produced may be substandard or otherwise unsuitable. It is only in an organised body like a cooperative that continual technical supervision of the work of members can be exercised, thus ensuring not only quality control but also maximum productivity. Whether this work is done by a supervisor appointed and paid by government or by a federation or a primary is a matter of detail which has to be worked out in accordance with local conditions, provided its importance is recognised.

Finally, it is necessary to state that improvement of techniques of production is not something which has to be done once only and then production continued on these lines for all time. It must be borne in mind clearly that technological progress is a continuous process and techniques of production should be readjusted as and when results of research become available.

AID-SUPPORTED ACTIVITIES
OF U.S. COOPERATIVE ORGANIZATIONS
FOR ASSISTING COOPERATIVES
IN DEVELOPING COUNTRIES

Since 1961, when the U.S. foreign aid program was reorganized, an intensified effort has been under way to assist the development of cooperatives in the less developed countries. The Act for International Development of 1961, which established the Agency for International Development (AID), contained a provision -- known as the Humphrey Amendment after its sponsor, Senator Hubert H. Humphrey -- declaring that it is "the policy of the United States...to encourage the development and use of cooperatives, credit unions and savings and loan associations."

Pursuant to this basic policy, AID has been increasing the number, size and diversity of its programs designed directly to assist the development of cooperatives. Projects previously under way have been continued and expanded under the new program. In addition, AID has been undertaking new activities largely by utilizing the services of U.S. cooperatives and other private organizations, which often contribute personnel and funds of their own to these AID-supported efforts. These organizations include:

American Institute for Free Labor Development - providing training to Latin American trade union leaders in various aspects of trade union activities, and assistance in establishing and operating cooperative housing, credit union and savings and loan programs of trade unions.

Cooperative League of the USA - providing service and personnel for training and technical advice, and for general assistance to cooperatives and federations of cooperatives in the developing countries.

Credit Union National Association - helping people of the developing countries to establish credit union programs, to federate local credit unions into national organizations, and to train local leaders.

Foundation for Cooperative Housing - developing general guidelines for a program of assistance to be undertaken by AID in low-cost cooperative housing, largely through local consumer groups and labor organizations.

International Cooperative Training Center - offers a basic course for training cooperative leaders from the developing countries and personnel from the United States preparing to work for cooperatives abroad, as well as short courses tailored to fit the needs of particular groups. The Center is located at the University of Wisconsin and was established by the University and a number of U.S. cooperative organizations. The Center has received funds from AID to assist in its work.

National Farmers Union - conducting training programs in the United States and the developing countries for agricultural cooperative leadership, and furnishing guidance and technical assistance in the management of cooperative pilot projects.

National League of Insured Savings Associations - providing assistance and technicians for establishing savings and loan systems.

National Rural Electric Cooperative Association - advising on the establishment of electric cooperative pilot projects, and helping to train operating and administrative personnel for such projects. It also helps to organize and develop cooperative electrification, rural industries and community facilities in developing countries.

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